

3 Lawmen Killed in S. Africa

ANC Blamed
For Bombing;
14 Wounded

The Associated Press
JOHANNESBURG — Two car bombs exploded outside a court-house here on Wednesday, killing three police officers and wounding five policemen and nine civilians. It was the largest number of security officers killed in one incident in South Africa in nearly a year. The government blamed the attack.

South Africa has severely restricted the reporting of unrest or dissent. Correspondents may be fined or imprisoned for failing to submit to censors articles that contravene regulations.

on black guerrillas of the African National Congress.

The first bomb explosion was at the entrance of the magistrate's court building. It was followed by a more powerful one a minute later in a car parked across from a side entrance to the building, at the edge of the financial district.

The minister of law and order, Adrian Vlok, called the bombing "an unprovoked act, where members of the public, irrespective of race, sex or age, became the victims of cowardice of the ANC."

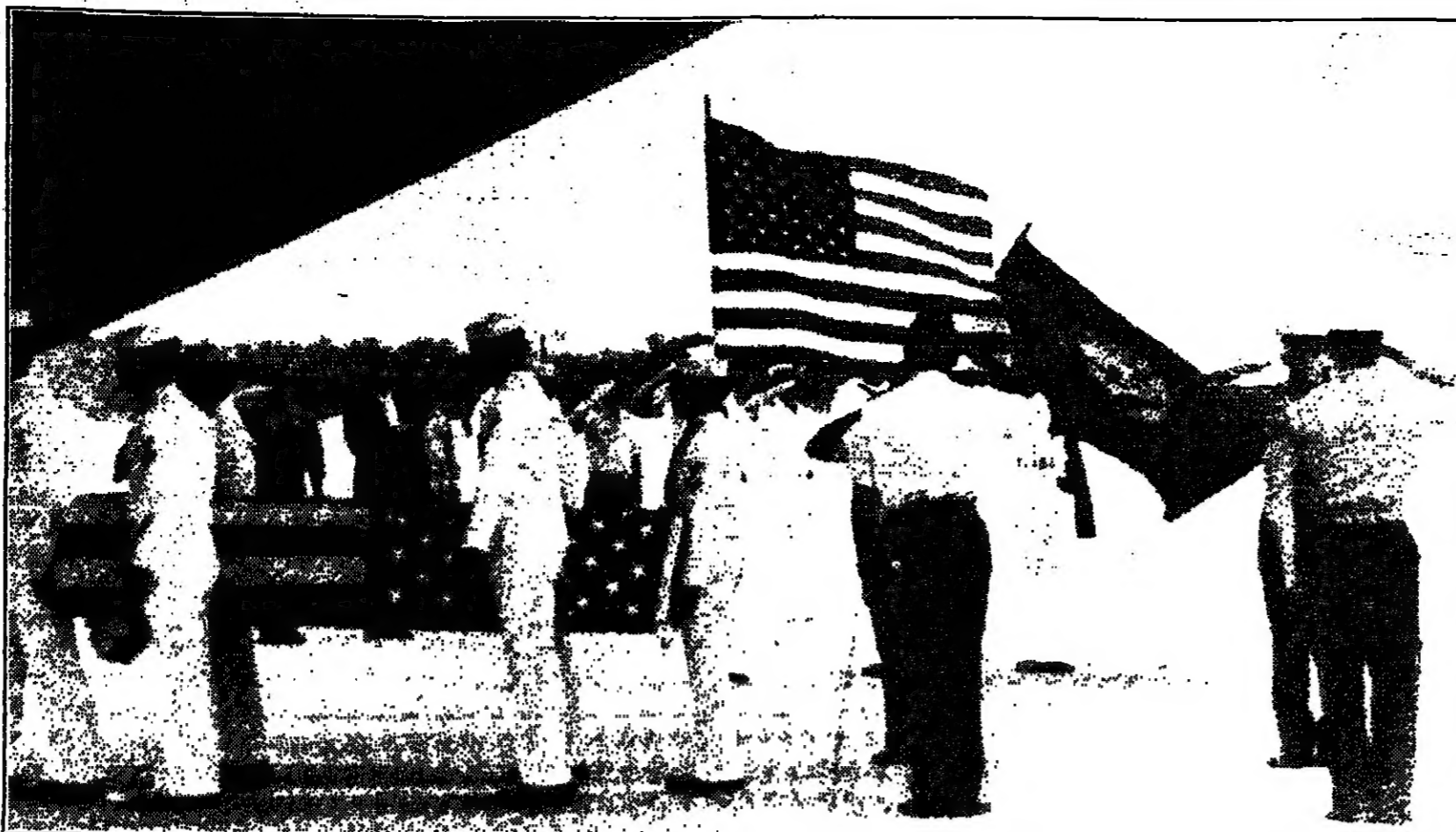
Wednesday was the fourth anniversary of the deadliest guerrilla bombing in South Africa's history, when 19 people were killed and more than 200 injured by a car bomb that exploded outside an office building in Pretoria.

The ANC, the main guerrilla movement fighting to overthrow the South African government, claimed responsibility for that bombing. The ANC has made no specific comment on the nearly 50 bombings in South Africa since a state of emergency was declared in June last year.

At police headquarters in Pretoria, a spokesman said that two of the officers wounded at the court-house bombing had been seriously injured.

The independent South African Press Association said that about 20 photographers and television crewmen were taken into custody after they took pictures of the bombing scene from a nearby roof.

Angolan Charges Denied
South Africa denied on Wednesday allegations by Angola that its troops were operating deep inside the country, Reuters reported from See BLAST, Page 2



The coffin of a U.S. sailor killed in the Stark attack was loaded aboard a military jet in Bahrain on Wednesday for transfer to West Germany.

Ship Activated Defenses As First of 2 Missiles Hit

MANAMA, Bahrain — The captain of the U.S. guided-missile frigate Stark said Wednesday that his crew had only seconds warning of an Iraqi attack on it and were activating their anti-missile defenses when the first of two missiles hit the ship.

"We did not realize a missile had been fired until it was too late to engage it," Commander Glenn R. Brindel said in his first public statement on the attack Sunday night that killed 37 of his crew and injured 21.

The ship had been running with its sophisticated electronic defense system "turned off" because there was no reason to expect an Iraqi attack, both Commander Brindel and the U.S. naval commander in the Gulf, Rear Admiral Harold J. Bensen, said in Manama.

A senior Pentagon official, Rear Admiral Grant Sharp, was due in Bahrain to lead an investigation into the attack, which both Iraq and the United States have described as an unintentional error. The Stark has been towed to Bahrain.

Commander Brindel said his crew was activating the anti-missile defenses in the seconds after a lookout spotted an incoming pro-



John Kiser, 5, whose father was killed in the attack on the Stark, buried his face in his mother's dress during the memorial service Wednesday in Bahrain for the dead sailors.

For Stark's Dead, a Bahrain Memorial

MANAMA, Bahrain — The pallbearers on Wednesday were the men who had pulled the bodies out of the inferno Sunday night after the 35 aluminum containers to the Stark crew quarters of the U.S. guided-missile frigate Stark.

They stood at attention as the big U.S. Navy helicopter appeared out of the dirty haze over Manama harbor to set down on the hot tarmac.

A color guard from the four U.S. military services stood at the rear loading ramp of a military jet transport plane that had come to take the 35 aluminum containers to Frankfurt, where the families would be waiting. Thirty-seven sailors were killed in the attack, but two of the bodies have not been recovered.

Two lines of folding chairs were set up for guests and dignitaries. At the end of the first row, nearest the ramp into the plane, was a woman wearing a lavender print dress, white scarf and beige gloves.

She and her small son were alone. Next to him.

Saudi Fighters Refused To Intercept Iraqi Jet

By George C. Wilson
Washington Post Service
WASHINGTON — Two Saudi Arabian F-15 fighters refused a U.S. Air Force request to intercept an Iraqi aircraft after it attacked the U.S. guided-missile frigate Stark in the Gulf on Sunday, according to Defense Department sources.

The Saudi refusal has infuriated Pentagon military leaders and may provoke protests in Congress at a time when U.S.-Saudi relations are under scrutiny in the Iran-contra hearings.

"You better believe we're angry about it," said an official, who asked not to be identified.

Military officials acknowledged that the Saudis are not obligated under standing agreements to chase down a plane that attacks U.S. forces. The Saudis provide air cover for American AWACS since the surveillance planes protect Saudi forces, officials said.

At a crucial moment in the tracking of the Iraqi jet, the sources said Tuesday, the Saudis balked at the U.S. request for an intercept, which would have required the F-15s to maneuver alongside the Iraqi jet.

Japan's Way to Superconductivity: Let the Government Lead

By John Burgess
Washington Post Service
TOKYO — Within weeks after researchers announced the development of new superconducting materials that may revolutionize the use of electricity, two Japanese government agencies set about guiding and harnessing another form of energy: the Japanese competitive spirit.

Committees on superconductors were formed, bringing together top minds from Japan's universities, government and private companies to trade ideas and discuss commercialization and government aid.

Officials in charge of government research funds began reassessing spending plans. Others conferred with laboratories and company executives to keep abreast of the expanding research under way in Japan.

The new materials can carry electrical current without resistance at much higher temperatures than previously thought possible. Made of ceramics, which ordinary do not conduct electricity, their discovery opens the way to making old uses of electricity more efficient and developing new uses that were impractical or impossible with ordinary metal conductors.

"We are working to assure that all this will not be just a fad," said Mitsugi Chiba of the government's Science and Technology Agency. The agency oversees one of the two superconductor committees.

"We want it to be a solid, feet-on-the-ground campaign," he said.

While the U.S. government debates the extent of its participation in the superconductor revolution, the Japanese government has already begun to function as facilitator and coordinator, a role it has played repeatedly over the years in the country's drive for pre-eminence in high technology.

The government no longer keeps the close control over economic decisions that it had through much of the postwar economic advance, and it spends far less on research than does the U.S. government.

However, it does something that the United States has traditionally avoided as being anti-competitive: It coordinates, cajoles and guides industrial development, striving to avoid duplication and increase efficiency.

The Ministry of International Trade and Industry guided the postwar recovery with an authority that was reinforced by its control of the flow of foreign exchange, which could mean success or failure for companies.

Much of that statutory authority is now gone, but the ministry and its technocrats retain major influence in the economy. They see this influence as a duty to decide what the future holds and to move people toward that future.

Licensing and research grants are prime tools. Also important is "administrative guidance," the formal expression of the ministry's formidable will.

In 1976, with the ministry's support, major electronics companies established a research association for microchip development. The government provided loans; the companies supplied the rest. The goal was to stop duplicative re-

Gorbachev Hints He Would Accept Former King in Afghan Coalition

By Bill Keller
New York Times Service

MOSCOW — Mikhail S. Gorbachev indicated in an interview published Wednesday that the Soviet Union would accept the former Afghan king, Zahir Shah, as part of a coalition government after the withdrawal of Soviet troops from Afghanistan.

Mr. Gorbachev's remarks, in written responses to questions from the Italian Communist newspaper L'Unita, were indirect, but diplomats in Moscow said the message was unmistakable.

Mr. Gorbachev also indicated a sense of optimism about prospects for a U.S.-Soviet agreement on withdrawing medium-range nuclear missiles from Europe.

He expressed frustration that, just when it seemed an accord was "in the bag," the Western allies began debating whether such a treaty would leave Europe at a disadvantage in conventional arms.

"Some people are trying to forge an endless chain of more and more linkages," he said, but added, "We nonetheless think that political realism will prevail."

The Soviet leader said he also considered it "quite feasible" that agreement would be reached soon on "basic provisions" limiting intercontinental ballistic missiles, anti-ballistic missile defenses and nuclear testing.

Some of the rebels fighting the Soviet-backed Communist government in Afghanistan have indicated that they would welcome the king back as part of the government, but Soviet officials have not previously indicated their views on such a proposal.

Forming a government to replace the Soviet-sponsored regime has emerged as a major stumbling block in efforts to negotiate an armistice and the withdrawal of Soviet forces.

In the interview with L'Unita, conducted Monday and published Wednesday in Moscow, Mr. Gorbachev stressed that the Soviet Union would not insist on continued political influence over the Afghan government as a condition for withdrawing its 120,000 troops from the country.

He said the coalition government that the Afghan leader, Major General Najibullah, has proposed as part of his "national reconciliation program" could be neutral, and

that they would welcome the king back as part of the government, but Soviet officials have not previously indicated their views on such a proposal.

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Kiosk House Moving On Arms Bill

WASHINGTON (UPI) — The House approached a final passage Wednesday of a \$289.4 billion defense authorization bill for 1988 that is laden with arms control provisions, making it a potential veto target.

Senate Democrats, meanwhile, failed for a third time to stop a Republican filibuster against the Senate's \$303 billion version of the bill. The Democratic leader, Robert C. Byrd, said he might try again Thursday.

Marine to Be Released

WASHINGTON (AP) — Sergeant John J. Weirick, a Marine embassy guard arrested on suspicion of espionage in Leningrad, will be released from the brig at Camp Pendleton, California, and no spying charges will be brought against him by the military, though his case has been referred to the Justice Department, the Marine Corps said Wednesday. [Earlier story, Page 3.]



starts out as this.

Lately, a lot of them have been ending up in homelms. Page 23.

GENERAL NEWS

■ Fiji youths attacked Indians in the first racial violence since last week's coup. At least 50 were injured. Page 4.

■ Markets reacted enthusiastically to Chicago's decision on Third World debt. Page 15.

Kuwait May Ship Its Oil Under U.S. Flag in June

Reuters
KUWAIT — Kuwait, under-
terred by the attack Sunday on the
U.S. guided-missile frigate Stark,
may start shipping its oil under the
American flag next month, political
sources said Wednesday.

The emirate, at the northern part
of the Gulf, supports Baghdad in the
Iran-Iraq war and has been
negotiating to transfer half its 22
tankers to U.S. registry.

The U.S. registry, sought after 16
attacks by Iran this year on vessels
trading with Kuwait, would entitle
the tankers to U.S. naval escorts.
Kuwait is a major world oil exporter.

"We are moving forward with
the arrangement," a State Depart-
ment spokesman said. Phyllis
Oakley, said in Washington on
Tuesday.

Diplomats said that Kuwait
would welcome President Ronald
Reagan's orders to U.S. warships to

the Gulf to shoot first if any ap-
proaching aircraft appeared hos-
tile.

"I think most people are aston-
ished they did not establish that
policy a long time ago," said a
senior Western diplomat in the
Gulf.

Kuwait has not commented offi-
cially on the attack, which killed 37
U.S. sailors and injured 21. But,
in the first response in the emirate, a
local newspaper criticized Mr. Reagan's
policies.

Al-Anba, a daily that is usually
friendly to the West, said in an
editorial: "We consider President
Reagan responsible for what hap-
pened."

Addressing Mr. Reagan, it said:
"You have supplied Iran with arms
to escalate the war, to continue its
attacks on Iraqi territory and rein-
force Iran's arrogant refusal to re-
spond to calls for peace."

DEFEND: System Was Inactivated

(Continued from Page 1)
The approaching aircraft, but the
ship received no response, he said.
Two to three minutes passed be-
tween the time the second warning
was sent and the plane launched its
missiles.

After the second warning, ac-
tions were taken to engage weapons
systems but the Phalanx anti-mis-
sile gun was only being switched
from manual to automatic fire after
the lookout spotted the approaching
projectile, he said.

There had been no radar indica-
tion that the aircraft had launched
missiles or that they were locked
onto the ship, he said.

Toll Rises in Fire in China

The Associated Press

BEIJING — The death toll has
risen above 200 in a forest fire that
has scorched nearly 1.5 million
acres (600,000 hectares), destroyed
several villages and is still out of
control in Heilongjiang Province,
the newspaper China Daily said
Wednesday.

FAMILY: For Stark's Dead, a Memorial in Bahrain

(Continued from Page 1)

The navy officers saluted. Mrs.
Kiser whispered something to her
son and he put his hand over his
heart. The pallbearers moved for-
ward, step by step, carrying con-
tainer No. 33, draped in the Ameri-
can flag. It disappeared into the
plane. Commander Brindel stood
in silence for a moment.

The routine was repeated for
container No. 34. When the last
container, No. 35, was ready for the
short procession, between heliop-

ter and transport ramp, a navy bug-
ler stepped forward and played
taps.

It had taken 15 minutes. Mrs.
Kiser lingered for a few moments
and then walked back toward the
navy hangar. She stopped only to
say a few words. She said she
thought it was an act of God.

Commander Brindel also
stopped for a moment. He was go-
ing back to the Stark. He said he
still had a lot of work to do.

SAUDIS: Request Refused

(Continued from Page 1)

identified as a single-seat Mirage
F-1 fighter-bomber, had flown
about 40 miles (64 kilometers)
south of the edge of the Iraq-Iran
combat zone, the AWACS crew no-
ticed that the plane made a sharp
turn toward the Stark. A few sec-
onds later, sources said, the
AWACS detected an Exocet mis-
sile closing on the Stark.

"I think he hit the Stark," some-
one inside the AWACS exclaimed
over a radio link that reportedly
was picked up by other U.S. ships
in the Gulf.

The AWACS commander, the
sources said, immediately radioed
the Saudi air base in Riyadh to
request fighter protection. The
Saudis complied, sources said,
launching two F-15s. The Saudi F-
15s, apparently guided by com-
mands from the AWACS, soon
were in the area of the attack. The
fighters fell in behind the Iraqi jet
returning to Iraq.

At that moment, the sources
said, the AWACS commander re-
quested the F-15s to intercept the
Iraqi plane, an easy task because of
the AWACS' radar-tracking capabil-
ity.

"This is not our forces," one of
the Saudi pilots radioed back to the
AWACS. He said he could not in-
tercept the Iraqi jet unless he re-
ceived permission to do so from
"my colonel," presumably on the
ground at the Riyadh air base.

But the Saudi pilots did not hear
from their commander, sources
said, and broke off the chase. The
Iraqi Mirage landed safely at its
base.

Ex-Gadhafi Aide Injured in Attack

Reuters

VIENNA — A former aide of
the Libyan leader, Colonel Moam-
mar Gadhafi, was slightly wounded
in an attack Wednesday, an Interi-
or Ministry spokesman said. Ezze-
din al-Ghadamsi, 49, a former am-
bassador to Austria, survived an
assassination attempt in Vienna in
1985.

The spokesman said Mr. Gha-
damsi was injured in the head dur-
ing a scuffle in a central Vienna
street.

Representatives of some of the
seven Afghan insurgent factions
have reportedly approached the
king with suggestions that he take
part in a government, and he is said
to have indicated his willingness.
Zahir Shah is known to com-
mand respect from some rebel
groups, though his presence would
be opposed by an Iranian-backed
faction, diplomats said.

A Chinese diplomat said Beijing
had picked up rumors that Soviet
diplomats made informal overtures
to the king last year.

Zahir Shah, 72, assumed the
throne in 1933. He pursued a policy
of strict neutrality in international
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introduction of a constitution that
created a constitutional monarchy,
and excluded members of the royal
family from public office.

He proved unable, however, to
resolve the country's economic
problems or to calm native ethnic
minorities. While visiting Italy, he
was deposed in a bloodless coup
led by his brother-in-law, General
Sadar Mohammed Daud.



FORMER MP PLEADS GUILTY — Harvey Proctor, who resigned Saturday as a Conservative member of Parliament, arriving at court Wednesday in London. He pleaded guilty to four charges of gross indecency with two men under the age of 21 and was fined £1,700.

AFGHAN: Soviet Hint on Ex-King

(Continued from Page 1)

could embrace "most diverse polit-
ical forces."

"The Soviet Union does not and
will not interfere in matters of
where Afghan comrades will seek
partners for the realization of the
national reconciliation program: in
their own country, among refugees
and emigrants abroad, or maybe in
your own country, Italy," the Soviet
leader said.

The only major Afghan political
figure in Italy is Zahir Shah, who
has lived near Rome since he was
deposed in 1973.

Mr. Gorbachev's remarks lent
credence to recent rumors that the
king was being considered for a
part in a new government.

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General Daud, who made himself
president, was killed in a 1978
coup that led to the establishment
of a pro-Soviet government and
eventually to the December 1979
intervention by Soviet troops.

A Western diplomat questioned
Wednesday whether the king now
would have much popular appeal.

"He was not regarded as terribly
effective," the diplomat said. "But
people have to group around some-
body, and when you talk about
national leaders, there's really no-
body else alive."

Mr. Gorbachev did not indicate
how much power the king or other
new "partners" would wield in a
coalition.

Mr. Gorbachev dismissed West-
ern charges that the Soviet Union
was afraid Afghanistan would slip
from its political control.

"It is sometimes alleged that the
Soviet Union will only agree to a
political settlement to the Afghan
problem that would leave Afghanis-
tan within its sphere of influence,"
he said.

"This is a profoundly erroneous
evaluation."

Reaction on Tactical Arms
A Soviet official said Wednesday
that reductions in tactical nuclear
weapons, as proposed by West
Germany, should be negotiated
along with cuts in conventional
arms and not as part of talks on
medium-range nuclear missiles.
Reuters reported from London.

Lev Mendelevich, head of the
Soviet Foreign Ministry's evalua-
tion and planning department, said
at a press conference in London
that Moscow was ready to nego-
tiate reductions of any weapons,
including tactical and battlefield
nuclear arms with a range below 500
kilometers (300 miles).

CONTRAS: Vow to Skirt Ban

(Continued from Page 1)

Reagan, they never discussed the
activities of Colonel North, a for-
mer National Security Council
aide.

Mr. Calero said he also met once
with Vice President George Bush in
Mr. Bush's office, but money was
not discussed.

The Nicaraguan rebel leader was
the fifth witness to testify before
the House and Senate committees
in the third week of investigations
into U.S. arms sales to Iran and the
private supply network for the con-
tras.

Mr. Calero spent much of his
testimony explaining the workings
of the rebel army fighting to over-
throw the Sandinist government in
Nicaragua.

He also said that since April
1985 he had had at least four meet-
ings with President Reagan and
also met with Mr. Bush, and re-
ceived expressions of U.S. dedica-
tion to his group's cause.

The White House, Mr. Calero
said, was already prepared to sup-
port an extragovernmental opera-
tion to provide "bullets and beans"
to the rebels when Congress passed
the Boland Amendment, which
prohibited direct or indirect U.S.
military aid to them between Octo-
ber 1984 and October 1986.

In July 1984, two months after
the official U.S. money ran out,
Mr. Calero said, he found a \$1
million deposit in his bank account
— the first installment of \$32 mil-
lion donated by Saudi Arabia be-
tween July 1984 and March 1985.

He said he was "very happily
surprised" when the huge deposits
were made to his accounts, but he
indicated he did not know or care
where the money was coming from.

He said he did not ask Colonel
North about the sources, and the
information was not volunteered.

In requesting testimony from
Mr. Calero, the congressional com-
mittees hope to determine what
happened to millions of dollars in
profits from the U.S. arms sales to
Iran, some of which apparently was
diverted to the contras. But Mr.
Calero insisted Wednesday that the
rebels received no money from
those deals.

Mr. Calero said he himself had
used \$3 million in traveler's checks
to pay for "administrative travel,"
among other things, and that he
had given to Colonel North
\$670,000 in traveler's checks, which
he understood had been given to
other rebel leaders.

Singapore Organ Donor Law
Agence France Press

SINGAPORE — The Parlia-
ment in Singapore adopted a bill
Wednesday that will allow doctors
to remove vital organs from people
who die in accidents unless they
have previously registered an ob-
jection to organ donation.

The mayor of Philadelphia, W. Wilson Goode, lost two Democratic
primary challenges Tuesday. Frank Rizzo, a former mayor, defeated a
Republican rival after he switched parties in a comeback try.

For the Record
Greece's Parliament rejected on Wednesday an opposition call for an
inquiry into fraud and embezzlement charges against Socialist officials.
The charges have prompted Prime Minister Andreas Papandreu to
request a vote of confidence in his government.

TRAVEL UPDATE
U.S. Lifts Freeze on Landing Systems
NEW YORK (NYT) — In a move intended to reduce flight delays and
increase airport capacity, the Federal Aviation Administration has lifted
its five-year freeze on installing more instrument landing systems at U.S.
airports.

Lack of precision landing equipment on runways often causes delays in
operations when weather falls below minimum requirements for ceiling
and visibility. Since some airports have the landing systems on only some
of their runways, bad weather can severely reduce an airport's capacity to
handle flights.

More than proposed 100 systems had been put on hold by the freeze,
but officials said Tuesday that the agency would allow installation of a
limited number. They emphasized that the agency was sticking to its long-
term commitment to install more advanced microwave landing systems,
starting in the early 1990s. The freeze was imposed in 1982 as a means of
expediting the transition to the microwave systems. But the short-term
need remained because of the persistent growth in air traffic.

United Airlines will raise fares across the United States by \$15 for one-
way first-class flights and by \$10 for one-way unrestricted coach flights,
effective June 3.

Record numbers of Swiss vacationers are going to the United States this
year because of the decline of the dollar, tour operators said Wednesday.
About 210,000 Swiss are expected to visit the United States, compared
with 185,000 last year.

Flight attendants of Spain's Airnco Airlines, demanding better pay and
work conditions, began a three-day strike Wednesday, stranding thou-
sands of passengers, a company spokesman said.

Autos lined up for fuel at Shell's only open gasoline station
Wednesday or drivers crossed into Spain to fill tanks as a strike by Shell
Oil workers entered its second day.

Clarification
A New York Times article in Wednesday's editions about the new U.S.
immigration law said that some foreign women on tourist visas were
working illegally, as au pairs in the United States. Betty Richardson, the
proprietor of Betty's Nannies, a Houston-based recruitment agency for
au pairs, was quoted as saying, "If they took all the month-end earnings
away we'd all come to a screeching halt." She said that the article should
have specified that her agency places only American nannies, all of whom
are legal workers.

AIDS: 3 Cases From Skin-Blood Contact
(Continued from Page 1)

Hughes said, a hospital worker was
exposed to blood while she was
pressing gauze against the arm of a
patient who was bleeding. She was
exposed to the patient's blood for
about 20 minutes. The worker's
hands were chapped and she was
not wearing gloves.

In the second case, a rubber
stopper popped off a glass tube,
spattering blood onto a health care
worker. The worker had a history
of acne, but apparently no open
lesions on her face. Federal officials
said the AIDS virus might have
been transmitted across the
mucous membrane inside her
mouth or possibly through contact
with an inflamed area of her face.

In the other case, blood spilled
onto the hands and forearms of a
worker manipulating a machine
used to separate blood into its com-
ponents. She was not wearing
gloves, but had no open wounds.

Two of the workers became
briefly ill after the contacts, appar-
ently suffering from a viral ailment
with symptoms like those of mono-
nucleosis, Dr. Hughes said.

"There is a possibility" that the
illnesses resulted from infection
with the AIDS virus, he said. Dr.
Hughes said he believed all three
were now in good health and that
none had developed symptoms of
AIDS.

Shultz Tells Austria's Chancellor
Case on Waldheim Is 'Convincing'

United Press International
WASHINGTON — Following
talks with Chancellor Franz Vran-
itzky of Austria, Secretary of State
George P. Shultz said Wednesday
that the case against Kurt Wald-
heim, the Austrian president, re-
mained "totally convincing."

The United States has barred
Mr. Waldheim, the former United
Nations secretary-general, from
visiting the United States because
of his World War II activities, re-
mained "totally convincing," Mr.
Shultz said.

Shultz said the U.S. decision had
"upset the Austrian government
and the Austrian people."

He said another meeting with
Mr. Shultz on Thursday offered
"the opportunity to continue our
talks."

"We're willing to hear whatever
the chancellor has to say," Mr.
Shultz said. "We have examined
the evidence, and find the case to
be totally convincing, and that
stands. We're quite prepared to
maintain our decision and stand."

WORLD BRIEFS

U.S. Warns Airlines of Penalties

WASHINGTON (UPI) — The U.S. government, reporting an increase
in consumer complaints, warned the major airlines in the United States
on Wednesday they would face stiff penalties unless they reduced flight
delays, cancellations and lost baggage.

The warning was conveyed in a letter by Elizabeth H. Dole, the
secretary of transportation, who pledged that the government would
work with the airlines to resolve the problems. "However, please be
advised," the letter said, "that, where necessary, we will not hesitate to
refer a matter to our enforcement office for action."

Under federal regulations, violators could face a fine of \$1,000 a day
for each offense. The government received 2,103 consumer complaints
last month, up from 1,050 in April of last year. The largest number of
complaints, 767, was lodged against Continental Airlines, the Transpor-
tation Department said.

Japan Says 4 Sold U.S. Data to Soviet

TOKYO (AP) — Four Japanese passed on U.S. military documents to
Soviet and Chinese buyers for several years, Japanese police charged
Wednesday. U.S. military authorities said they were studying the extent
of the security damage.

The four suspects, who include a current and former employee of U.S.
military facilities in Japan, were arrested Tuesday after one attempted to
give U.S. military documents to a Soviet diplomat in a Tokyo park, the
police said.

Police said the men were suspected of selling documents to Soviet
diplomats and unidentified Chinese buyers in return for more than
\$714,000. U.S. military officials, who initially alerted Japanese police to
the matter, declined to comment on the nature of the documents
involved.

Israeli Forces Oppose Lavi Jet Project

JERUSALEM (Reuters) — The Israeli armed forces have joined the
United States in calling for the government to scrap the multi-billion-
dollar Lavi fighter project because of feared strains on the military
budget, state radio said.

In a special meeting Wednesday of the Israeli cabinet, which is divided
over the future of its planned home-made fighter for the 1990s, Israel
reports that from the military on the project that Washington says Israel
cannot afford.

The radio said military officials told the cabinet the armed forces were
against continuing the project. The Pentagon has estimated that each
Lavi would cost \$22.1 million, whereas Israel put the figure at \$14.5
million. While some ministers agree, others said thousands of engineers
and technicians would lose their jobs if the Lavi, which made its maiden
flight in December, were grounded.

Argentine Rebel Leader Found Guilty

BUENOS AIRES (NYT) — Mario Firmenich, 39, a key leader of the
leftist guerrilla movement against which the Argentine military govern-
ment fought in the 1970s, has been found guilty in a 1978 kidnapping,
murder case and sentenced to life in prison. He will serve no more than 30
years, however, according to the agreement under which he was extradited
from Brazil in 1984.

Judge Carlos Luft of the federal court in the Buenos Aires suburb of
San Martin held Tuesday that Mr. Firmenich organized the kidnapping of
Jorge and Juan Born, wealthy grain traders. The kidnappers killed the
Borns' driver and a business associate. The Borns were released after
payment of an estimated \$60 million in ransom.

Mr. Firmenich was the principal leader of the Montoneros, the largest
Argentine guerrilla organization. He is the second guerrilla leader to be
found and tried. The first, Ricardo Obregon Cano, a former governor of
Cordoba Province, is serving a six-year sentence for illegal association
with the Montoneros.

For the Record

Greece's Parliament rejected on Wednesday an opposition call for an
inquiry into fraud and embezzlement charges against Socialist officials.
The charges have prompted Prime Minister Andreas Papandreu to
request a vote of confidence in his government.

The mayor of Philadelphia, W. Wilson Goode, lost two Democratic
primary challenges Tuesday. Frank Rizzo, a former mayor, defeated a
Republican rival after he switched parties in a comeback try.

TRAVEL UPDATE
U.S. Lifts Freeze on Landing Systems
NEW YORK (NYT) — In a move intended to reduce flight delays and
increase airport capacity, the Federal Aviation Administration has lifted
its five-year freeze on installing more instrument landing systems at U.S.
airports.

Lack of precision landing equipment on runways often causes delays in
operations when weather falls below minimum requirements for ceiling
and visibility. Since some airports have the landing systems on only some
of their runways, bad weather can severely reduce an airport's capacity to
handle flights.

More than proposed 100 systems had been put on hold by the freeze,
but officials said Tuesday that the agency would allow installation of a
limited number. They emphasized that the agency was sticking to its long-
term commitment to install more advanced microwave landing systems,
starting in the early 1990s. The freeze was imposed in 1982 as a means of
expediting the transition to the microwave systems. But the short-term
need remained because of the persistent growth in air traffic.

United Airlines will raise fares across the United States by \$15 for one-
way first-class flights and by \$10 for one-way unrestricted coach flights,
effective June 3.

Record numbers of Swiss vacationers are going to the United States this
year because of the decline of the dollar, tour operators said Wednesday.
About 210,000 Swiss are expected to visit the United States, compared
with 185,000 last year.

Flight attendants of Spain's Airnco Airlines, demanding better pay and
work conditions, began a three-day strike Wednesday, stranding thou-
sands of passengers, a company spokesman said.

Autos lined up for fuel at Shell's only open gasoline station
Wednesday or drivers crossed into Spain to fill tanks as a strike by Shell
Oil workers entered its second day.

Clarification
A New York Times article in Wednesday's editions about the new U.S.
immigration law said that some foreign women on tourist visas were
working illegally, as au pairs in the United States. Betty Richardson, the
proprietor of Betty's Nannies, a Houston-based recruitment agency for
au pairs, was quoted as saying, "If they took all the month-end earnings
away we'd all come to a screeching halt." She said that the article should
have specified that her agency places only American nannies, all of whom
are legal workers.

AIDS: 3 Cases From Skin-Blood Contact
(Continued from Page 1)

Hughes said, a hospital worker was
exposed to blood while she was
pressing gauze against the arm of a
patient who was bleeding. She was
exposed to the patient's blood for
about 20 minutes. The worker's
hands were chapped and she was
not wearing gloves.

In the second case, a rubber
stopper popped off a glass tube,
spattering blood onto a health care
worker. The worker had a history
of acne, but apparently no open
lesions on her face. Federal officials
said the AIDS virus might have
been transmitted across the
mucous membrane inside her
mouth or possibly through contact
with an inflamed area of her face.

In the other case, blood spilled
onto the hands and forearms of a
worker manipulating a machine
used to separate blood into its com-
ponents. She was not wearing
gloves, but had no open wounds.

Two of the workers became
briefly ill after the contacts, appar-
ently suffering from a viral ailment
with symptoms like those of mono-
nucleosis, Dr. Hughes said.

"There is a possibility" that the
illnesses resulted from infection
with the AIDS virus, he said. Dr.
Hughes said he believed all three
were now in good health and that
none had developed symptoms of
AIDS.

Shultz Tells Austria's Chancellor
Case on Waldheim Is 'Convincing'

United Press International
WASHINGTON — Following
talks with Chancellor Franz Vran-
itzky of Austria, Secretary of State
George P. Shultz said Wednesday
that the case against Kurt Wald-
heim, the Austrian president, re-
mained "totally convincing."

The United States has barred
Mr. Waldheim, the former United
Nations secretary-general, from
visiting the United States because
of his World War II activities, re-
mained "totally convincing," Mr.
Shultz said.

Shultz said the U.S. decision had
"upset the Austrian government
and the Austrian people."

He said another meeting with
Mr. Shultz on Thursday offered
"the opportunity to continue our
talks."

"We're willing to hear whatever
the chancellor has to say," Mr.
Shultz said. "We have examined
the evidence, and find the case to
be totally convincing, and that
stands. We're quite prepared to
maintain our decision and stand."



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Webster Confirmed To Become CIA Chief 'At This Critical Time'

By Tom Kenworthy
Washington Post Service

WASHINGTON — The Senate has overwhelmingly confirmed the nomination of William H. Webster, director of the FBI, to be the director of the Central Intelligence Agency.

Mr. Webster, 63, a former federal judge and prosecutor who was head of the Federal Bureau of Investigation for nine years, will take over U.S. intelligence operations at a time when the agency's role in the Iran-contra scandal is under intense scrutiny on Capitol Hill.

Mr. Webster assumes command of the CIA from the acting director, Robert M. Gates, who has run the agency since the resignation Feb. 2 of William J. Casey. Mr. Casey died May 6 after complications from a cancerous brain tumor.

Mr. Gates withdrew his name from consideration amid questions about the CIA's involvement in the Iran-contra affair.

The Senate approved, 94-1, on Tuesday the nomination of Mr. Webster, with Senator Harry M. Reid, Democrat of Nevada, dissenting because of what he said were lingering questions about FBI conduct during a series of criminal investigations in his state.

Mr. Webster's confirmation came after lengthy hearings by the Senate Intelligence Committee in which the panel questioned the

FBI's dealings with Lieutenant Colonel Oliver L. North, who was dismissed from the National Security Council staff in November because of his role in the Iran-contra affair.

During the hearings it was disclosed that Mr. Webster was unaware of FBI memoranda indicating that Colonel North might be a target of a criminal investigation because of his role in providing arms to the Nicaraguan rebels, known as contras, as well as other documents detailing attempts by Colonel North to interfere in agency investigations of the Iran-contra affair.

"The evidence showed that the FBI and Judge Webster himself did not respond to the danger signals of improper and even illegal activities by Colonel North," said Senator Arlen Specter, Republican of Pennsylvania, a panel member.

Nonetheless, Mr. Specter said, "Judge Webster ought to be confirmed because he has an outstanding record as a judge, practicing attorney and director of the FBI."

Senator David L. Boren, Democrat of Oklahoma, who is chairman of the committee, said an "exhaustive review" of Mr. Webster's career and the FBI's links to Colonel North showed that Mr. Webster is "fully qualified in all respects to provide the leadership needed by



William H. Webster

the intelligence community at this critical time."

The brief debate Tuesday on Mr. Webster's nomination underscored the Senate's renewed sensitivity to the CIA's relations with Congress. Relations have been strained by the Reagan administration's failure to inform the intelligence committees of covert operations involving arms sales to Iran.

Senator William S. Cohen, Republican of Maine, noted the sometimes conflicting demands the CIA faced in maintaining secrecy while also operating "within the law." He said secrecy can lead to "the political paralysis which we are seeing a certain amount of now."

But Mr. Cohen and Mr. Boren agreed that Mr. Webster was well suited to repair the strained relationship between the CIA and Congress.

"I am particularly impressed with the commitment of Judge Webster to the oversight process" by Congress, Mr. Boren said.

Marine Held in Spy Case Defends His Character

By Bill McAllister
Washington Post Service

WASHINGTON — Corporal Arnold Bracy, a U.S. marine accused of allowing Soviet agents into the U.S. Embassy in Moscow, has testified publicly for the first time, telling a military investigator that he is a deeply religious person who said no to drugs, alcohol and Playboy magazine.

Prosecutors, pressing what White House officials have conceded is a weak case, seized on the former Marine guard's statement Tuesday and said they intend to use it to try to reintroduce one of the case's most controversial pieces of evidence.

That is another statement by Corporal Bracy, which he has since recanted, in which he allegedly said he and another marine allowed So-

viet agents to examine some of the embassy's most sensitive areas.

The prosecution attempt began at a closed hearing at the Marine base in Quantico, Virginia, where Corporal Bracy has been held since March on espionage charges.

Before the hearing was closed, the investigating officer, Major Geoffrey P. Lyon, agreed with prosecutors that Corporal Bracy's testimony had opened the issue of his character. He said he would allow prosecutors latitude in questioning the marine's character.

Major Charles A. Ryan, the chief prosecutor, told Major Lyon that Corporal Bracy's character "is very much at issue." He hinted that he wanted to raise questions about whether Corporal Bracy's behavior in Moscow was consistent with the way he had described himself.

Corporal Bracy's civilian lawyers said the actions illustrated how vigorously they expected prosecutors to press the case. The Marine Corps dismissed several identical charges last week against Sergeant Clayton J. Lonetree, another Moscow guard implicated in the case.

Corporal Bracy's lawyers had hoped to limit the scope of questioning of their client to his days before joining the corps' elite Security Guard Battalion, which protects U.S. embassies.

But Major Ryan said that the marine "opened the door" to wider questioning by saying he did not read Playboy or Penthouse magazines, curse, drink or use drugs.



Corporal Arnold Bracy, right, is escorted to a hearing.

Legislators Assail U.S. on Fraud Case

Washington Post Service

WASHINGTON — Members of Congress have sharply criticized the Justice Department for closing a three-year investigation of General Dynamics Corp.'s submarine contracts without bringing charges.

The department announced the end of the investigation Tuesday, saying that the evidence did not support "any reasonable prospect of a successful prosecution."

Officials said they could not prove that General Dynamics, the largest defense contractor in the United States, had lied about delivery dates and cost overruns in building nuclear attack submarines for the navy.

Senator William Proxmire, Democrat of Wisconsin, said the decision "shows the Justice Department is not serious about defense fraud."

"How do these armchair prosecutors know they could not get a conviction unless they bring one of these large contractors to court?" said Mr. Proxmire, who is chairman of the Joint Economic Committee's subcommittee on national security.

Representative John D. Dingell, Democrat of Michigan, said a subcommittee of the House Energy and Commerce Committee, of which he is chairman, would hold a hearing on General Dynamics and "similar cases."

French Academy Inducts Nixon for His Gift to Art

By Samuel Abt
International Herald Tribune

PARIS — French taste in Americans inclines toward Billy the Kid types: in tennis, the tantrum-ridden Jimmy Connors; in movies, the pratfalling Jerry Lewis; in literature, the bleak Horace McCoy. In politics, the French have long favored Richard M. Nixon, 37th president of the United States.

In one of his rare honors of the last decade, Mr. Nixon was installed Tuesday as a foreign associate of the Académie des Beaux-Arts, a part of the prestigious Institut de France. He will hold the seat that became vacant on the death of Arthur Rubinstein, the pianist, in 1982.

The Beaux-Arts is not to be confused with another part of the Institute, the Académie Française, whose members are known as "the Immortals." No similar guarantee is accorded to the Beaux-Arts' 50 French members — painters, writers, engravers, composers, sculptors, architects and filmmakers — and its 15 foreign associates.

The former president was honored for his contribution to French art, which he was told he "admired

with fervor and which he had favored." Specifically, Mr. Nixon signed into law in 1973 a bill allowing U.S. tax deductions for contributions to the restoration of Versailles and the Claude Monet house in Giverny.

For this, promised the president of the Académie des Beaux-Arts, Armand d'Hauterives, Mr. Nixon gains the right "in our company, to be invited to participate in discussions about the arts." He will also be allowed to wear the academy's green-embroidered uniform, to pin on it his medals and to bear, if he wishes, a sword.

In a circumspect speech, Mr. d'Hauterives, a painter, made it clear quickly that "I wish to skip all politics and welcome you here as a friend of France."

The closest thereafter he came to the circumstances that led to Mr. Nixon's resignation in August 1974 was an acknowledgment that "in the impressive Oval Office, you did not know only joy." Otherwise, his capsule history of Mr. Nixon's presidency stressed the historic opening with China and the welcoming home of the first moon landers.

Mr. Nixon took the cue. Looking

fit but long in the jaws, he spoke for 15 minutes, mainly in praise of Mr. Rubinstein and General Charles de Gaulle.

Addressing an audience of several hundred sitting on green or gray plush seats under the mighty dome of the Mazarin Palace on the Left Bank of the Seine, Mr. Nixon told of first meeting Mr. Rubinstein in March 1952 at a dinner party in Washington.

"I was particularly impressed to meet him," the 74-year-old Mr. Nixon recounted, "because as a young boy I had played some classical music on the piano. I was introduced to him as a young senator from California. As he fixed me with a steady gaze and a wide smile and grasped my hand, I had the impression of incredible but carefully controlled power."

"I can see him now. He was ramrod straight, with strong arms and the compact trunk of a champion boxer. I read later that he was only 5 feet 8 inches tall, but that evening he seemed to me to be at least 3 inches taller." (The speech was artfully translated into French by Vernon A. Walters, U.S. delegate to the United Nations, who even con-

verted 5 feet 8 inches into 1.72 meters.)

"Rubinstein, at the age of 95, passed cheerfully into immortality," Mr. Nixon continued. "Today, a century after his birth, a new edition of his recordings is being issued. At a time when the light of the West's cultural heritage seems increasingly dim — when the music we all loved in our youth is being drowned out by the bizarre racket that is called music and that has enraptured today's youth — the unabated popularity of Arthur Rubinstein is a signal that all is not yet lost in this age of superficiality and vulgarity."

He finished with a tribute to de Gaulle, "one of the wisest leaders I ever met."

Recalling a letter he sent de Gaulle after the general left public office in 1969, Mr. Nixon said he invited him to visit the United States because "in this age of mediocre leaders in most of the world, America's spirit needs your presence."

"After he read it," Mr. Nixon continued, "he looked up and said, 'He is a true comrade.' I have never received a higher compliment."

Klan Property Is Given to Black Victim's Mother

By William E. Schmidt
New York Times Service

ATLANTA — The headquarters of one of the largest Ku Klux Klan groups in the United States now belongs to a 67-year-old black woman from Alabama, the mother of a teen-age son who was murdered in 1981 by two Klansmen.

Under the terms of a federal court verdict delivered in March, the woman, Beulah Mae Donald of Mobile, was given the deed this week to a brick and corrugated metal building of 7,200 square feet and 6.5 acres of wooded land near Tuscaloosa, Alabama. The building was until recently the national headquarters of the United Klans of America Inc.

Attorneys for Mrs. Donald said Tuesday she planned to turn the building over to a real estate agent to be sold. The market value of the 668-square-meter building and the 2.3 hectares of property is estimated at \$225,000.

"I really don't feel anything yet," Mrs. Donald, the mother of seven children, said Tuesday. "I said before that the money didn't mean anything to me, and it still doesn't mean anything to me."

The property was turned over to her by the Klan as part of the judgment in a \$7 million civil lawsuit in which a jury concluded a Klan organization is financially liable for criminal acts by its members.

Two Klansmen have been convicted in separate criminal proceedings for the slaying of Mrs. Donald's 19-year-old son, Michael. He was beaten and strangled in 1981 and his body left hanging from a tree on a street in Mobile. One of the men is awaiting execution; the other is serving a sentence of life imprisonment.

By turning over the property to Mrs. Donald, the Klan has decided not to appeal the judgment. The legal title to the building and property was held by an organization called the Anglo-Saxon Club Inc. of Tuscaloosa.

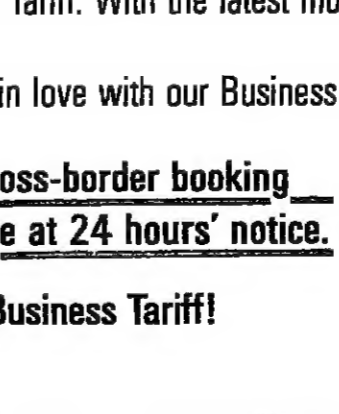
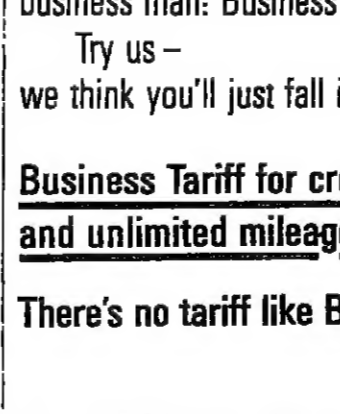
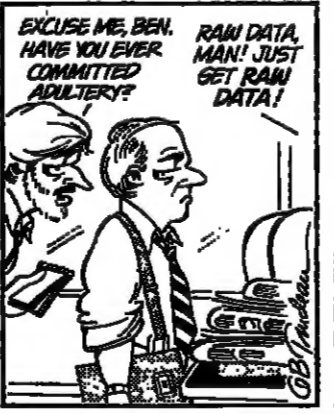
Although an all-white jury awarded Mrs. Donald a settlement of \$7 million, Bill Stanton, of the

Southern Poverty Law Center in Montgomery, said investigators had found that the Klan group had little in assets other than the building and property. That suggested that the United Klans was already "in decline," Mr. Stanton said. He added: "This is pretty much a death blow to it."

The United Klans, founded in 1961 and headed by Robert M. Shelton, has been one of the nation's largest Klan groups. In the 1960s its membership was estimated at 30,000.

The group also has a reputation for violence. Members were implicated in the 1965 murder of Viola Gregg Liuzzo, a white civil rights worker from Detroit.

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U.S. Group Seeks Change In School Curriculum

By Barbara Vobejda
Washington Post Service

WASHINGTON — An unusually broad mix of leaders from government and the private sector has called for a restructured U.S. school curriculum that would end democracy as "the worst form of government ever conceived."

The statement issued Tuesday also calls for an end to the self-criticism of the Vietnam War and Watergate era in school curriculum.

It carries 150 names, including Secretary of Education William J. Bennett, Walter F. Mondale, Jimmy Carter, Gerald R. Ford, leaders of both major teachers unions, as well as the National Association of Evangelicals, a conservative group, and People for the American Way, an organization founded to counter the religious right.

In a document entitled "Education for Democracy," the group said "we fear that many young Americans are growing up without the education needed to develop a solid commitment to those 'notions and sentiments' essential to a democratic form of government."

It urged that history and humanities be taught in more depth and earlier, even in the primary grades, and called for more attention to world studies, with students required to thoroughly study at least one non-Western society.

The curriculum, the group said, should be reoriented around a core of history and geography, always taught from the perspective of "understanding under what conditions people can enjoy rights and freedom."

"The idea is that history should be taught with objectivity but not with neutrality," said Diane Ravitch, chairwoman of the Educational Excellence Network. Her group sponsored the project with the American Federation of Teachers and Freedom House, an organization that monitors political and civil liberties.

The statement was the most recent in a series of recommendations that schools in the United States move away from the "values free" teaching said to be prevalent in the 1960s and '70s.

At a conference sponsored last month by People for the American Way, it became clear that politically liberal groups had moved toward their conservative counterparts in advocating that schools teach civic virtue and take clear positions on right and wrong behavior.

The statement released Tuesday echoed the theme, saying that "education for democracy" must "extend to education in moral issues."

"The basic ideas of liberty, equality and justice, of civil, political and economic rights are all assertions of right and wrong, or moral values," the document said.

"It is absurd to argue that the state, or its schools, cannot be concerned with citizens' ability to tell right from wrong," it continued.

In criticizing current curriculum, the document cited a teaching guide on human rights that gave equal significance to the "right" to take vacations, freedom of speech and the right to vote.



A WELCOME ON THE WAY — Chancellor Helmut Kohl of West Germany, right, greeting Prime Minister Amintore Fanfani of Italy to Bonn on Wednesday. Mr. Fanfani was on his way to meetings in France with the president and the prime minister.

Gorbachev Ends Silence On His Many Interests

New York Times Service

MOSCOW — Breaking a long silence about his personal interests, Mikhail S. Gorbachev said in an interview published Wednesday that his "weakness" was curiosity about too many things.

Mr. Gorbachev, who has disclaimed any desire for the kind of cult of personality that surrounded Stalin, told the Italian Communist Party newspaper L'Unità that he had had trouble deciding what to study in college because of his diverse interests.

"I cannot even say which disciplines in school attracted my special interest, which sciences I liked more and which I liked less," he said.

"I joined the department of law but at first I wanted to enroll in the department of physics. I liked mathematics very much, but I also liked history and literature."

He also said that "to this day I remember by heart poetry I learned at school."

"One might agree," Mr. Gorbachev said, "that people who concentrate on some specific field

achieve much in life, but still people with a broad outlook are more to my liking."

Since becoming first secretary of the Soviet Communist Party in March 1985, Mr. Gorbachev has deflected questions about his personal life, asserting that he is part of a collective leadership and that his personal interests should be of no importance.

In his initial response to the newspaper, Mr. Gorbachev said of questions about his private life, "In my country it is not quite customary to speak about such things but I will try to answer."

He told L'Unità, "In mature years, I have been more interested in economics, read and written on these topics. It can be said I know a thing or two in this field." He added, "But I have a continuing interest in philosophical questions, especially now."

"I have read a lot of literature on philosophy, books written in this country and in the West. I can say that a sort of 'epoch of renaissance' has set in for the Soviet Union, and the creative spirit of Lenin is reviving."

Soviet Polls Show Skepticism on Change

Gorbachev Program More Popular With Managers Than With Workers

By Celestine Bohlen
Washington Post Service

MOSCOW — A significant number of Soviet workers are still skeptical about Mikhail S. Gorbachev's campaign to transform Soviet society, according to recent official surveys.

Samples of polls taken by the Moscow Sociological Research Institute, published in several leading newspapers this month, reveal weak spots in the Soviet leader's drive to change the economy and the attitudes of citizens.

The surveys, which focused on 7,000 workers in Moscow and in the Central Asian republic of Kazakhstan, as well as on young people in the Russian city of Orsk, showed widespread grass roots support for the idea of change, or perestroika, as Mr. Gorbachev's program is loosely called.

The polls also, however, disclosed a basic uncertainty, even distrust, about what changes will mean to people's lives.

This caution among rank-and-file workers could prove to be a handicap as the program enters a critical phase later this year. The Soviet press and Mr. Gorbachev himself have recently brought attention to the lag between early results of his program and the expectations it has raised.

"We are all unfortunately — or happily — impatient," Vilen Ivanov, director of the sociological institute, said in an interview. "Having put our efforts behind perestroika, we want to reap rewards today: new goods, more pay, better apartments."

A sampling of the survey results, drawn from the official newspapers Izvestia and Sovetskaya Rossiya, shows, for instance, that 62 percent of workers at a Moscow plumbing factory feel that the policy changes have simply meant more work for them. One-third of these workers

said they were waiting to see how the policy turned out.

In Kazakhstan, 40 percent of workers surveyed said they did not want any changes in the wage system, and 24 percent felt the new policy of "openness," or "glasnost," and criticism about shortcomings was doing more harm than good.

A significant gap in support for perestroika has developed between blue-collar and white-collar workers. For instance, in Orsk, 84 percent of young workers supported the policy of change, compared to 94 percent of those holding more prestigious jobs as engineers and service employees.

"In other words," Mr. Ivanov told Izvestia, "the closer you are to production, the lower your appraisal of the ongoing process."

Overall, 90 percent of those surveyed backed the program and only six-tenths of 1 percent were characterized as opposing it outright. But in terms of results, 84.8 percent of workers reported that reforms were coming about "slowly, with great difficulty," or had not been felt at all. On the higher rungs of the work force, 63.7 percent responded that way.

The results mirror complaints in recent letters in newspapers expressing disappointment at the pace of change. A resident of the Ukrainian town of Oratov, writing to the Communist youth daily Komsomolskaya Pravda, said that, while change might be happening elsewhere, "I cannot say the same for my town. Everything here has congealed while we wait for something from someone."

The chief question put by the institute poll was one posed more and more openly in Moscow: "Who is blocking change?"

Many experts say the question is premature, since many of Mr. Gorbachev's economic changes are not in place yet. They argue that it will

be years before effects on the work place can be judged.

While some of the framework is still lacking, however, the policy of change has already affected the atmosphere in the country, with wide-ranging personnel changes and a new critical attitude in the press and in government toward sloppy or corrupt behavior.

In many enterprises, managers have been given greater latitude to distribute profits, and have been encouraged to show greater initiative.

Still, the poll illustrates a division between views from the front office and from the shop floor.

In one Moscow district, managers complained about worker inertia while workers accused managers of empty phrase-making and indifference, Izvestia said.

Earlier, more simplistic, analyses blamed resistance to change on the middle layers of Soviet society, on bureaucrats and officials. It now appears that resistance or distrust runs deeper in the society.

Mr. Ivanov said workers seemed less impressed by the policy than intellectuals did.

According to the poll results, the drive for democratization of the work place — one of the tools chosen by Mr. Gorbachev to involve workers in his program — has not taken hold. For instance, just over a third of workers in one Moscow

district were satisfied with their opportunity to influence the course of the policy.

The survey pointed to a Catch-22 situation that has bedeviled Soviet economic planners: Until workers see real changes, they will be reluctant to improve their performance.

"A restructuring" of work conditions, Mr. Ivanov said, "will take place at the point when there are qualitative changes in their legal and organizational forms, when the whole management mechanism is changed. The analysis of the situation in this regard so far gives little basis for optimism."

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Booklet Profiles Successful Schools In Poverty Areas

The Associated Press

WASHINGTON — President Ronald Reagan unveiled Wednesday a guide intended to help transform U.S. schools in inner cities and poverty areas into a "ladder for success" for disadvantaged children.

The U.S. education secretary, William J. Bennett, said the handbook lays out what amounts to "the best strategy for breaking the cycle of poverty."

The booklet, "Schools That Work: Educating Disadvantaged Children," is the third in a series of guides prepared by Mr. Bennett's department for parents and educators.

It profiles nearly two dozen schools and programs that have produced top scores on achievement tests and low dropout rates in the depressed surroundings that are usually synonymous with failure.

Successful schools, Mr. Bennett said, often have no more resources than unsuccessful ones, but they deploy them better. He said a strong principal often makes the difference.

Israel Restricts Candidacy

Reuters

JERUSALEM — The parliament has barred candidates for public office from holding dual citizenship. The law, enacted Tuesday, apparently is aimed at discouraging Rabbi Meir Kahane from running again. Rabbi Kahane, a Knesset member and the founder of the militant Jewish Defense League, holds Israeli and U.S. citizenship.

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Herald Tribune

Published With The New York Times and The Washington Post

After the Coup in Fiji

The Way It Should Be

They had a military coup last week in Fiji, the South Pacific paradise whose tourist slogan is "The Way the World Should Be." A Sandhurst-trained officer stormed into Parliament, leading his troops in a bid to overthrow the government. The coup was led by Commodore Ratu Jona Senenilese, who had been dismissed from the cabinet of a newly elected government. The coup splintered as the commander freed the jailed cabinet. The governor general, who is appointed by Queen Elizabeth II, promised new elections. The duty elected prime minister rejects this deal.

The Melanesian coup makers did not complain about the fairness of last month's election, only the results that put the Indian majority in power. New elections in themselves will not settle the ethnic power struggle. That will require leadership and agreements to protect minority rights.

What happened in Fiji is colonial history in microcosm. Since independence in 1970 the islands have been ruled by Melanesians, now 47 percent of the 715,000 inhabitants. A century ago the British imported laborers from India whose descendants now total 49

percent of the population. The inevitable happened last month, when the new majority elected a predominantly Indian Fiji party, and the new government talked ominously of trying to oust cabinet ministers on corruption charges. Then came last week's crisis, which was evidently resolved by a deal calling for fresh elections and an amnesty.

Fiji's ethnic disputes, and their sources in colonialism, are all too familiar. So is the tendency to reach out for foreign patrons and to claim prostrategic significance for a parochial power struggle. No sooner had Commodore Ratu Jona taken over than he was telling the press that he was only restoring Fiji's pro-Western stance. "The foreign minister I just ousted is a known frequent visitor to the Soviet Union, and the finance minister is a friend of the Soviet Union and Libya."

True enough, Russians and Libyans are vying for diplomatic advantages in the South Pacific, where nuclear allergy is widespread. But the best counter in Fiji would be a fresh attempt at enlightened power sharing by two ethnic communities — so to speak, the way the world should be.

—THE NEW YORK TIMES

American Attention

By Tuesday, the worst of the trouble in Fiji seemed to have passed. The party representing the indigenous Melanesians had been voted out in April by the party representing the country's bare majority of ethnic Indians. A military officer purporting to speak for the losers staged a coup last week. Six days later, the British-appointed governor general arranged a fairly happy ending in which the coup makers gave up, receiving amnesty, and a plan was announced to hold new elections. No one seems to have been hurt except a Fijian who had seized a plane on the tarmac to obtain release of the officials arrested in the coup; he was hit on the head with a whisky bottle.

So now those who are new to awareness of Fiji know two things. It has a sharp ethnic divide, which is the defining fact of its politics and may bedevil it somewhat more now than in the past. But it also has a sturdy democratic system and a tradition of fair play, which should give it a chance to

live with its divisions, if not to mend them, even after this nasty business of a coup. Fiji has been a good international citizen, providing peacekeeping units to the United Nations and disturbing no one, and it deserves sympathy in its time of testing now.

In a spin-off of sorts, the coup has drawn fresh American attention to the potential vulnerability of some of the small, far-flung, Western-oriented states of the South Pacific. Coincidentally, or so they said, the Australians boosted out the Libyan Embassy on Tuesday — for "clandestine" dabbling with aborigines and the like. Libya is said to have made mischief in other ocean places, and meanwhile Moscow has begun to assert a blue-water naval and diplomatic presence of its own. There is no call for undue concern, but it is good to see that Australia and New Zealand spoke out strongly for the restoration of democratic rule in Fiji. They are the developed countries best situated to reassure island states that need reassuring.

—THE WASHINGTON POST

Abandoned to Nazi Fate

Americans too young to remember World War II have recently been offered highly simplified reruns of Good and Evil. The question of Germany's war guilt was revived two years ago by President Reagan's stubbornly insensitive visit to the cemetery in Bitburg. What Kurt Waldheim really did during the war ignited angry argument before and after his election as president of Austria. Now the trial of Klaus Barbie in France inflames old questions about the guilt of French collaborators as well as of Gestapo torturers.

The implication is that Europeans have reason for soul-searching, whereas Americans, detached, can congratulate themselves on military valor during the war and Marshall Plan virtue afterward. In truth, there is reason for everyone to do some soul-searching, Americans included.

Rarely has evil faced the world so brazenly as during the Nazi horror. It must be measured on a unique moral scale; there is no comparing genocide with silence and passivity. Yet these offenses also need to be measured, and Americans shared in both. At the very peak of the slaughter, America slammed its doors and folded its hands.

How little was done to resist the slaughter and rescue the victims has been recounted by Walter Laqueur and others. In a devastating 1984 book, "The Abandonment of the Jews," David Wyman, a historian and grandson of two Protestant ministers, concludes that all segments of American society, including churches and the Jewish community, failed to take even minimum steps to help. Only 21,000 refugees were allowed to enter the United States during the war with Germany

— just 10 percent of the total that could normally have entered. The State Department, yielding to fear of a diplomatic backlash and domestic nativism, resisted pleas for saving large numbers of refugees.

Only in 1945, with the war almost over, did Franklin Roosevelt establish a War Relocation Authority. A conference was held in Bermuda in April, yielding these headlines on successive days: "Refugees Are Warned to Wait"; "Conference Says Large Scale Rescue Not Possible Now"; "Scapegoats Seen for Axis Victims"; "Refugees Removed Called Impossible." In Mr. Wyman's view, Roosevelt's lack of response to the extermination of European Jewry was his worst failure.

Much has been said about Pope Pius XII's silence about Nazi war crimes. Austria's reluctance to confront its embrace of Hitlerism has magnified the controversy over Mr. Waldheim's Nazi past. As for Poland, the failure of so many to lift a finger for imperiled Jews is examined at length in "Shoah," the French documentary film.

What question should Americans ask themselves? Mr. Wyman puts the matter justly: "The Holocaust was certainly a Jewish tragedy. But it was not only a Jewish tragedy. . . . The killing was done by people, to other people, while still other people stood by. . . . Would the reaction be different today? Would Americans be more sensitive, less self-centered, more willing to make sacrifices, less afraid of differences now than they were then?" To judge by American receptivity to the host people, the answer is probably yes. What counts as much is that silence is no longer acceptable.

—THE NEW YORK TIMES

All Treated as Equals

The U.S. Supreme Court ruled unanimously this week that a 19th century civil rights statute protects not only racial groups but also what are now considered ethnic groups. Citing three main sources — dictionaries and encyclopedias of the period, and the legislative history of the statute at issue — Justice Byron White emphasized that all the members of the court "are quite sure" that this interpretation of the law is correct.

Modern anthropologists have identified three main racial groups: Caucoid, Negroid and Mongoloid. It had long been assumed that when Congress passed the early anti-discrimination laws after the Civil War, it acted to protect freed slaves. More recently, courts interpreted the law to protect any of the three racial groups from discrimination. But in the two cases just decided by the Supreme Court, a more expansive definition of "race" was presented, based on the meaning of the word in the mid-19th century when Congress was debating the law.

Sure enough, the legislators had referred to "the Scandinavian race," "the German race" and the "Anglo-Saxon races." The ref-

erence books of the period similarly use the word to refer to groups of people "belonging to the same stock." There was no emphasis at all on skin color. Thus the court held that Congress intended to protect persons against discrimination based on their ancestry or ethnic characteristics — Jews, Arabs, Norwegians and Italians, for example.

Modern civil rights statutes prohibit discrimination based on national origin, but there are advantages to litigating under the old law. The statute of limitations is longer; punitive damages are available and jury trials are allowed. The old law can now be used by Korean Americans against Japanese Americans or by Polish Americans against Irish Americans. Will this clog the courts? We doubt it, although there is always a possibility of frivolous suits. Where there are real problems of discrimination because of ethnic heritage, should not this litigation option be available? It is a premise of a diverse society that Americans treat each other as equals. No discrimination based on ancestry should be considered tolerable.

—THE WASHINGTON POST

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92000 Neuilly-sur-Seine, France. Tel.: (1) 46.37.93.00. Telex: Advertising, 613595; Circulation, 612632; Editorial, 612718; Production, 630698.

Directeur de la publication: Walter N. Thayer.

Editor for Asia: Michael Richardson, 3 Convent Road, Singapore 0511. Tel: 473-7768. Telex: RS30228 Managing Dir. U.K.: Malcolm Gladwin, 50 Grosvenor Road, Hong Kong. Tel: 5-8610616. Telex: 61170 Managing Dir. U.K.: Robert Macdonald, 63 Long Acre, London WC2. Tel: 836-4802. Telex: 262009 Gen. Mgr. W. Germany: W. Lauerbach, Friedrichstr. 15, 1000 Frankfurt/N. Tel: (069) 72675. Telex: 416721 Pres. U.S.: Michael Cowley, 620 Third Ave., New York, N.Y. 10016. Tel: (212) 753-3892. Telex: 421715 S.A. au capital de 1.300.000 F. RCS Nanterre B 232021/20. Commission Paritaire No. 61357 © 1987, International Herald Tribune. All rights reserved. ISSN: 0294-8032.

OPINION

Ask Mr. Gorbachev: What Is Peace if It Isn't Humane?

By Anatoli Koryagin

THREE months ago, together with other political prisoners, I was released from camp. But far from all the prisoners have been released. As a condition of release, each political prisoner is required to sign a statement in which he promises to refrain from future anti-Soviet activity. Some people agreed to sign such statements. Others categorically refused, or signed statements that had completely different meanings.

I didn't sign any kind of statement, but I told them that I refused to renounce my former activities, which I do not consider to be anti-Soviet, and that immediately upon my release I would return to these activities. Nevertheless, they released me.

Dr. Koryagin, a psychiatrist, was imprisoned in the Soviet Union for six years for "anti-Soviet agitation," a criminal charge arising from his reports that political dissidents were being confined and abused in mental hospitals. He was released in February and lives with his family in Switzerland. This comment comes from a discussion conducted with him recently in Washington.

Soviet authorities are now faced with a need to put into practice their loudly pronounced policy about rebuilding the Soviet economy and Soviet life. The results of restructuring so far, however, do not allow us to say that liberalization is taking place.

Perhaps the larger number of political prisoners are still in camps and places of exile, and none of them has been released. No political prisoner

incarcerated in a psychiatric hospital has been released. Those who have been released were fired under a formula saying that they were pardoned. That means that formally they are still considered criminals. That means any attempt to express aloud one's own opinions, if they differ from the official line and propaganda, is still considered to be a crime.

There are still many limits on Sovi-

et citizens in the area of information. Foreign radio stations are jammed, with the exception of the BBC. People who want to emigrate are not allowed to leave the country.

The most elementary religious rights continue to be denied. The two overtly political articles of the criminal code, about anti-Soviet agitation and propaganda, and anti-Soviet slander, have not been removed from the criminal code. These articles directly contravene the Soviet constitution. This is why one still cannot think the process of democratization in the country has really gathered strength.

I forgot to mention Article 188. This law contradicts all generally accepted juridical norms. It allows up to five years of continued imprisonment if they don't fulfill the demands of the camp administration; if, for example, they violate camp regulations. This article provides the potential of continuous adding on, of one sentence after another.

There were instructions given in May 1984 to view prisoners on hunger strikes as violators of camp norms, and as a result they were put in punishment isolation cells.

I personally see no real prospect that any comrades in the camps will soon be released, but I intend to struggle for them and also for the release of prisoners of conscience from psychiatric hospitals. This is the aim I have set for myself in the West.

Continuous pressure must be exerted on the Soviet government, using any channels and at all levels and in the most varied areas of mutual contact. The more often there is discus-

sion about prisoners of conscience languishing in the Soviet Union, the more one can hope for their rapid release.

As for official contact with the world of official Soviet psychiatry, until that world is no longer connected with the abuse of psychiatry, I consider it to be undesirable. But in private contacts, one could conduct discussions about the need to create in the Soviet Union a special commission of highly qualified psychiatrists with no relationship to the Ministry of Internal Affairs. The task of this commission would be to examine and re-examine the diagnosis of patients in psychiatric hospitals whose symptoms sound politically motivated.

It is important to struggle for peace. But one also has to struggle for a humane world. In prison in 1986, I smuggled out a letter developing three slogans under which one should struggle for peace. First, peace and humanism are indivisible. Second, peace should be fought for in the name of humanism, not of politics. Third, only a society with a human face and laws has the right to speak about peace for all of mankind. The struggle for peace can be incomplete or, if you wish, not completely honest, if peace is relegated to the abstract realm and if it is not a peace requiring a humane structure of society.

The power that can be organized in any way they want. But it has to be humane. And now it is not humane. I will struggle against these anti-humane methods. When a person suffers as a result of methods used in the Soviet Union against its citizens, I as a doctor cannot ignore it.

The Washington Post

Too Much Ado About Precious Little Glasnost

GLASNOT does not exist. What frightens me is the great enthusiasm in the West when 140 dissident prisoners are claimed to be released without anyone continuing to ask why they were locked up in the first place. Gorbachev has never said anything about the laws and the trials which put these people in prison being unfair or even being re-evaluated. At least under Khrushchev the government had the courage to declare openly that these people had been jailed but had committed no crime of any sort.

Western correspondents will spot something out of the ordinary — say, an article in Pravda which is critical of a government official — and report that story in such a way as to make readers believe that this rare exception is becoming or has already become the rule. This is absolutely untrue. The most significant aspects of glasnost have been and will continue to be only very rare exceptions, and only those exceptions which the government decides it is safe to make. It is irresponsible not to remember this.

—Irina Novitskaya Alberti, editor of the Paris-based émigré weekly *Russkaya Myel* (Russian Thought).

THE government has spoken about the rehabilitation of some authors. Its message is in fact that it will permit the public access to these few specimens of ugly and irrelevant writing although they were written by traitors. There has been no effort toward political rehabilitation of these authors. I do not regard that as any form of glasnost.

—Natalya Gorbunovskaya, a Russian writer in Paris.

CERTAINLY we are not too quick to assume that because Gorbachev has made some expedient political moves, there is now a popular revolution in principle going on. As a Russian émigré, I would love nothing better than for just such a revolution to be taking place. However, I am all too acquainted with the constraints of Soviet Communist government. And while I welcome some of the things Gorbachev has done, it is clear that the importance of his actions is being greatly exaggerated in the West.

—A dissident who asked not to be identified. His remarks, like those above, come from interviews conducted by Christopher Boon of the International Herald Tribune.

Hart's Withdrawal Gives The Republicans a Boost Against 'Seven Dwarfs'

By Kevin Phillips

WASHINGTON — Now that Gary Hart's withdrawal from the Democratic presidential race has left the field to candidates described by major publications as "the Seven Dwarfs," a new political reality is in the air. When the former front-runner went home to Troublesome, Colo., Colorado, Democratic prospects for 1988 took a turn for the worse. It was a painful turn toward dismay, realism and disavowal.

The Hart scandal itself is not really the problem. Aside from a few cautions about candidate maturity, it will not linger. However, Republican chances of retaining the presidency have been bolstered by the way his withdrawal maximizes a number of well-established Democratic institutional weaknesses.

The first key, of course, lies in the Democrats' lack of alternative high-stature candidates. There is not much in U.S. electoral history to support the emergence of the next president from a group that magazines and newspapers have started dismissing as midgets. The public had the message even before it was sent. Polls among rank-and-file Democrats show that support for all seven lumped together lags behind the various no-answer categories such as "undecided" or "call back when I'm not watching TV."

This is unprecedented. Never in modern Democratic presidential nomination seeking has support for so many contenders added up to so little. And by and large, American voters do seem to prefer a certain prior status in a chief executive.

Mr. Hart earned his pre-eminence by emerging strongly in 1984's Democratic nomination race with Walter Mondale. By late April, just before he dropped out, polls put him far ahead among rank-and-file Demo-

crats, with 35 to 40 percent backing. His nearest challenger was Jesse Jackson, with just 10 percent.

The same surveys gave Mr. Hart leads of from 5 to 15 points over both major Republican hopefuls, Vice President George Bush and the Senate Republican leader, Bob Dole of Kansas. Statisticians say Mr. Hart was a somebody. He had "status."

Which makes the comparative shortcoming of the seven remaining candidates important. For the most part, presidents elected during the 60-year since World War I have met two credentials criteria. Either they were prior vice presidents, prior national candidates or men seriously discussed for a national nomination four or eight years earlier; or they were already president. Just two exceptions come to mind: Warren Harding, elected in 1920, and Jimmy Carter, elected in 1976. And if their political selection did not meet the stature test, well, by most standards, neither did their presidencies.

All other relative unknowns and outsiders who talked or organized their way to a major party nomination went down to defeat, and most by landslides. Afficionados will cherish the laundry list: James M. Cox in 1920, John W. Davis in 1924, Alfred Landon in 1936, Wendell Willkie in 1940, Barry Goldwater in 1964 and George McGovern in 1972.

The seven dwarfs now being hoisted through the Democratic forest — Governor Michael Dukakis of Massachusetts, the Reverend Jesse Jackson, Senator Joseph R. Biden Jr. of Delaware, Senator Paul Simon of Illinois, Senator Albert Gore Jr. of Tennessee and former Governor Bruce Babbitt of Arizona — all easily meet history's probable-lower fitness test of being unknown (save for Mr.



'Not a heavyweight in the joint!'

Jackson) and unproven. For voters to put one in the White House would be to take an atypical gamble.

(The two Democrats who do meet the stature test? New York's Governor Mario Cuomo and Senator Edward Kennedy of Massachusetts.)

So the first net effect of the Hart debacle is to eliminate the one Democratic contender with the requisite background and opinion poll lead over the two Republican hopefuls of established stature. In this new context, the two Republicans should be able to lead all declared Democratic contenders for the foreseeable future.

But it is more than that. If the Democrats on May 8 lost a man with a broad support base, they also lost somebody who might, absent his fatal flaws, have been able to set up the nomination early. Relatively quick success is important. In the last quarter century or so, Democratic White House prospects have suffered markedly in the face of divisiveness or a drawn-out nomination fight.

Since the mid-1960s the Democrats have been a tenuous national coalition unable to stand much fratricide and internal conflict — pre-

cisely what a drawn-out presidential nomination clash usually ensures. In past contests where contention was still operative as the California primary rolled around in early June, the Democrats' November victory chances ebbed accordingly.

Next year's race looks like a textbook study in Democratic divisiveness. Analysts in both parties generally agree that it will be hard for any of the seven to leap to national pre-eminence in the nine months until the Feb. 8 Iowa caucuses. A Dukakis challenge to Mr. Biden on arms control or a Gephardt-Simon debate on agriculture will be lucky to make page 37 with the lettuce ads.

If the current seven stay in the race, Iowa could be an inconclusive arena. Regionalism and fragmentation could take over — with Mr. Gephardt strong in the Midwest, Mr. Dukakis in the Northeast, Sam Nunn in the South and Mr. Jackson among blacks. If geographic splits do develop, three or four middleweights could keep the fight going all the way to the sweaty summer convention hall.

It is possible that a divided convention would draft someone like Mr. Cuomo, but not likely. History

suggests that brokered conventions turn to little-known compromise choices. Since World War I, only three divided Democratic conventions have been broken — in 1920, 1924 and 1952 — and the resultant nominee lost each time.

Of course, the Republicans can blow it. Further intra-party revelations could drag Mr. Bush down, and even fuel a "throw-the-rascals-out" voter psychology that could undercut uninvolved Republicans. And the party could unwisely choose to ignore mounting evidence that the public favors a more centrist approach to politics in 1988, as well as a renewed emphasis on a positive role for government.

For the moment, Mr. Hart's withdrawal gives the Democrats major institutional problems. A group of candidates evokes a Walt Disney movie, and the Republicans can once again contemplate an at least even chance of holding the White House.

The writer is publisher of the *American Political Report*, a biweekly newsletter. He contributed this comment to the *Los Angeles Times*.

Many Japanese Are Fascinated, Pro or Anti, by Faraway Jews

By John Burgess

TOKYO — The Jews, it seems, are to blame. The Japanese are casting about for explanations for their country's current economic troubles, and this one — the Jews — has drawn enough attention to make a best seller — 400,000 copies in 12 months — of a book entitled "If You Understand the Jews, You Can Understand the World."

"International Jewish capital" has been secretly battering Japan for years, writes the book's author, Masami Uno. The bribery indictment of former Prime Minister Kakuei Tanaka

books. "Ninety-nine percent of the Japanese population doesn't know what Judaism or people of Jewish origin are," says Walter J. Cibrin, a businessman who is chairman of Tokyo's Jewish Community Center. "They just consider them foreigners."

Still, he is worried. "We feel the contents of these books will create a wrong impression among Japanese young people," possibly leading to anti-Semitism, he said.

A few foreigners believe that anti-

Many Japanese who buy conspiracy books probably have no notion that they present warmed-over versions of Nazi theories.

in 1976 and the rise of South Korea as a competitor were part of the plot. And now comes the strong yen, which Mr. Uno tells us Jewish bankers have created to subvert and subjugate the Japanese economy.

His book was so successful that last fall he brought out a sequel that has sold 250,000 copies. Other Japanese authors have joined in with such works as "Miracles of the Torah Which Control the World," "Understanding the Protocols of the Elders of Zion" and "Make Money with Stocks Targeted by the Jews."

Such books are just part of a boom in Japanese interest in all things Jewish. A bookstore in Tokyo recently held a "Jewish fair" that assembled 150 titles on the subject. Most are positive, depicting Jews as dynamic models of success in business, the arts and human relations.

The few Jews in Japan — they are estimated to number 1,000 — report no sense of personal danger despite the anti-Semitic tone of some of the

Semitism is already here, and that the books are a new sign that nationalist extremism is rising. "Anti-Semitism has greater intellectual currency and respectability in Japan than in perhaps any other industrialized society," wrote David Goodman, a University of Illinois specialist on Japan, in a recent letter to *The New York Times*.

Japanese commentators tend to see the books as benign, a passing fad that shows how ignorant the Japanese remain of the outside world.

"Japanese are being criticized from all over the world, and they want to know who is doing it and why," says a specialist in Jewish studies, Shichiro Yamamoto. There are also books alleging an American conspiracy.

Jews have evoked fascination among Japanese intellectuals for decades. In the late 19th century, Japan was exposed to anti-Semitism in the flood of Western ideas it imported for modernization. "The Merchant of Venice" was the first Shakespeare play to be translated into Japanese. Pejora-

hiro Nakasone's comment last year about blacks and Hispanics lowering the U.S. educational level caused such a fuss across the Pacific.

Most Japanese who buy conspiracy books probably have no notion that they present warmed-over versions of theories that the Nazis used to justify the murder of millions. Many might think twice if they knew how abhorrent the ideas are considered overseas.

"People buy the books thinking it will give them an international outlook," says Akira Mizoguchi of the Middle East Institute of Japan. "Unfortunately, it makes a strong impression on those with little knowledge."

Ironically, the Jews depicted in the books strongly resemble the stereotypical depictions of "Jap" — rich, treacherous, manipulating, secretly

conspiring with every member of their kind to control the world.

Jewish leaders in Japan are trying to bring foreign pressure to bear on the issue. In Washington, members of the Anti-Defamation League of B'nai B'rith have met Ambassador Nobuo Matsunaga to express concern. Two members of the U.S. Congress recently demanded that Mr. Nakasone take stand against the books. In response, they got a letter from Ambassador Matsunaga affirming that Japan opposes discrimination but that it also upholds freedom of expression.

For now, Mr. Cibrin of the Jewish center in Tokyo hopes that the issue can be played down in Japan. "The more it appears in the press here," he says, "the more books it sells."

The Washington Post

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Rumors at Court

BRUSSELS — For several days, calumnious rumors have been spread, not only in Brussels but throughout the country, concerning the Belgian Sovereigns. The story in circulation was that the Queen had surprised the King in intimate conversation with one of the maids in the palace and had shot the maid dead with a revolver. These rumors reached the ears of the Court dignitaries, who held a long conference (on May 20). It was decided to inform the King of the rumors. His Majesty was greatly shocked and manifested profound indignation, and he at once informed the Queen. The King, determined to defend his private life, resolved to appeal to the Courts to put a stop to the state-matters, and M. Holvoet, the Public Prosecutor, was called to the palace. It is believed that the authors of the rumors will be quickly discovered.

1937: Trade and War

NEW YORK — Taking as his text "the fallacy of economic nationalism," Assistant Secretary of State Francis B. Sayre, addressing world trade groups assembled here for National Foreign Trade Week, declared that, "One of the major root causes of war today is the blocking of foreign trade." He pointed to the need for two-way trade and the beneficial effects of reciprocal trade agreements negotiated by the United States. "What is needed now in our country as well as in every other," Mr. Sayre said, "is the growing realization that if the world is to be saved from war, governments must resolutely resist policies of commercial isolation pressed upon them by selfish pressure groups intent upon their own gain, and must instead adopt constructive and cooperative commercial policies such as will make for peace."

JP 4/20/87

OPINION

Psychiatry Is Conscripted To Protect the Kremlin

By George F. Will

WASHINGTON — It is a paradox of modern politics that two of the most intellectually primitive regimes have considered themselves servants of science. In 1934, Rudolph Hess said: "National Socialism is nothing but applied biology." The Soviet regime applies "scientific socialism," within which psychiatry has a special place, as Dr. Anatoli Koryagin can testify.

Dr. Koryagin, 48, was recently released to the West from a prison camp where he served six years of a 14-year sentence for the usual offense, "anti-Soviet activities," which included getting out to the West an article about Soviet abuses of psychiatry. Such abuses are as old as the Soviet regime.

Historian Paul Johnson notes that in 1919 the Moscow Revolutionary Tribu-

Dissent behavior must be biologically based and is thus treatable with drugs.

nal sentenced an anti-Communist leader to treatment in a sanatorium. In the 1930s, the secret police built a 400-bed mental hospital (two words perverted joined in Communist society) on the grounds of a mental hospital. In the 1940s, the leading Soviet research institution for criminal psychology had a department for "political" cases.

Dr. Koryagin says that since 1977 the number of psychiatric "hospitals" in which dissidents are imprisoned with the criminally insane has grown from 11 to 16. And "glasnost" has not involved the release of any dissident from a psychiatric "hospital."

The 1939 Nazi-Soviet pact truly was a joining of kindred spirits. Neal Ascherson, in the New York Review of Books, says German doctors were dazzled to discover that, under Hitler, medicine was "the central intellectual resource of the New Order." Doctors practiced "biological soldiering," perfecting the race by killing the unfit and using them for "research" to benefit the master race. And in the Soviet Union, psychiatry, a less settled science than biology, has been conscripted by the regime.

Since Freud postulated that the self is a fractious committee — ego, id and libido — there has been "scientific" doubt about the importance of reason in the individual's life. Freud, a semi-mate-

rialist, believed in the body and "consciousness," a passive ghost in the machine. His intuition was that civilization is a misfortune because neuroses result from maladjustments to the unyielding reality of modern society.

But Marxists hold that anything will yield to their "science" backed by force. They fancy themselves architects of societies so well-designed that they cannot be sources of discontent. Khrushchev said in Pravda in 1959 about people "who might start calling for opposition" to communism: "Clearly the mental state of such people is not normal."

Psychiatry, with its expanding arsenal of drugs, can be abused as a brutal instrument of social control. And the official Soviet premise, that only the psychologically disabled could fail to love socialism, enlists psychiatry as a rationalization for the regime.

In the West, neurological discoveries and pharmacological sophistication are confirming this much of a materialist thesis: Mental illness often is biologically based, as in brain chemistry. This of course does not confirm or even support the Soviet premise that mental disorders of Soviet citizens must be biologically based because Soviet society is too advanced to be a source of suffering for Homo Sovieticus; the new Soviet man manufactured for communism. However, what is known about the biological basis of mental disorders is distressingly useful to totalitarianism who believe that there is no intractable tension between human nature and society because both are infinitely malleable under the forceful application of this or that science.

Technically speaking (scientifically, the Soviet Union is, 70 years after the Revolution, still in the Glorious Transition Period. The transition to pure communism is not over because the state has not quite withered away. But Soviet society is close enough to scientific perfection that mental disorders, including persistent dissent, must be biologically based and hence treatable with drugs, at least theoretically.

A perennial question about the Soviet regime is: Does it believe and act on its ideological fantasies? A reasonable conclusion is that its mind is a strange alloy of cynicism and sincerity. Dr. Koryagin stresses the cynicism, and cites a telling detail about the confinement of dissidents in psychiatric hospitals: Whereas people who are really mentally ill are confined until cured, dissidents have been given fixed sentences.

The regime has classic standards on dissent behavior. When Dr. Koryagin's 3-year-old son received a severe concussion from a beating (all members of the family were beaten at various times in the street), a court held that it was a "natural" expression of public feeling against an anti-Soviet family.

Washington Post Writers Group.



The American Way Is to Rise by Degrees

By P.J. Wingate

WILMINGTON, Delaware — When Mark Twain was given an honorary degree by Oxford University in 1907 he was so pleased that he devoted a chapter in his autobiography to the subject. He wrote that "an Oxford decoration is a higher distinction than is conferable by any other university on either side of the ocean and is worth twenty-five of any other, whether foreign or domestic."

He added that it had long been "an annual pain to me to see our universities confer an aggregate of two hundred and fifty honorary degrees upon persons of small and temporary consequence — and never a degree offered to me."

Well, things have changed greatly in 80 years. Were Twain alive today he would be swamped with offers of honorary degrees, because American colleges and universities will award about 8,000 this spring, most going to folks far less distinguished than the humorist from Missouri. This multitude of honorary degrees puzzles many Europeans, particularly the British, who are somewhat amused by the spectacle of so much academic grandeur. They sometimes ask visitors from America why all their compatriots seem to want to become doctors of law, literature or divinity.

There are two basic reasons. Twain noted one in his autobiography when he wrote of his "childish delight in a new

degree." It is the rare man who is satisfied that the swath he cuts in society is as wide and gaudy as it should be.

(It should be noted that although Twain suggested in his autobiography that Oxford had given him his first honorary degree, he already had four: two from Yale, one from the University of Missouri and one from Johns Hopkins.)

The second reason lies in the Constitution of the United States. Article 1,

MEANWHILE

Section 9 declares: "No title of nobility shall be granted by the United States; and no person holding any office of profit or trust under them, shall, without the consent of the Congress, accept of any kind whatever, from any king, prince, or foreign state."

That puts an American at a distinct disadvantage. His English cousin, if he hasn't been born a prince, duke, earl or count, can always hope to be made one. Or at least to be made a Knight of the Realm, which allows him to put Sir in front of his name. Sir ranks as far above doctor in prestige as an elephant does

above a cockroach. An Englishman cherishes even an O.B.E. (Order of the British Empire) far more than he would a string of such honorary degrees as LL.D., Ph.D. or Litt.D.

On the Continent, the poor American is at an even greater disadvantage. Although kings, princes, grand dukes and the like no longer hold sway in most European nations, the titles linger on and, in the eyes of the owners, at least, add a luster that two dozen honorary degrees could not match. Even the tiny principality of Lichtenstein, which on a clear day can be seen in its entirety from the grand duke's castle, had by a recent count no fewer than 13 princes and princesses. Some are always out of the country, working as advertising executives or head waiters in chic restaurants, but wherever they go they take their titles with them, ready for display on suitable occasions.

So when the Constitution was framed in 1787, and forever removed all hope that an American could become a duke or even a sir, men turned to other things. They became Kentucky colonels, admirals in the Nebraska Navy, high potentates of the local secret lodge or the Grand Dragon of the Ku Klux Klan, until such things began to take on a comic significance. Then it began to dawn on the citizenry that "doctor" was an honorable and dignified title, and the annual number of honorary degrees rose from the 250 noted by Twain in 1907 to the about 8,000 that have been the average for the past 20 years.

Contrary to what the British may suggest, this has not meant an honorary degree for every American. For one thing, there are about 250 million Americans now, and a few have had more than their share. Herbert Hoover was awarded 86 honorary degrees, according to biographer Richard Smith, although others have credited him with more. But Hoover has been far surpassed in recent years by Father Theodore Hesburgh, president of Notre Dame University. He has 111, with the count rising. Even Bob Hope may overtake Hoover, since at a recent count the comedian had 60 and was still in high demand on campuses.

Women were late to the race, with only a handful having been honored by 1900, but they have moved up fast in recent years. As of April, former Senator Margaret Chase Smith of Maine was the leader, with 90. Sandra Day O'Connor received 22 offers of degrees the first year after she became a Supreme Court justice, but accepted only five.

A few Americans have rejected them all. H.L. Menckes, after spurning 23 offers, explained that "no decent man would accept a degree he hadn't earned. Honorary degrees are for corporation presidents, bishops, real estate agents, presidents of the United States and other such riff-raff."

The writer is vice-chairman of the Board of Trustees of Washington College in Chestertown, Maryland, and a member of its honorary degrees committee. He contributed this to the International Herald Tribune.

LETTERS TO THE EDITOR

About the Buthelesi Option

Regarding "Buthelesi Gives Both a Option" (May 4) by Jim Hoagland:

While it is true that Chief Mangosuthu Buthelesi is a force to be reckoned with in the restructuring of post-apartheid South Africa, he is not the only one. And before the West embraces Chief Buthelesi and his policies, two things should be understood.

A common attitude in the West toward opposition forces in South Africa is that one should be wary of them if they are linked to violence. This is the stock argument used against the African National Congress. But Chief Buthelesi's condemnation of violence must be judged in the light of the persistent violence of his Inkatha vigilantes. Before anyone advocates the Buthelesi option, the record of the chief's involvement in violence must be made clear.

Secondly, Chief Buthelesi's policies, as shown by his KwaZulu/Natal proposals, are unacceptable if meaningful change is to come in South Africa. Those policies include the protection of minority rights without equality based on one man, one vote. This preserves the essential mechanism of present inequalities.

Protection of minority rights sounds good at first blush, but not when accomplished at the cost of representative democracy. The question must be asked, how different is protecting minority rights under the Buthelesi formula from the present structure of apartheid?

As Mr. Hoagland concludes, the 1983 constitution is detestable, and Nelson Mandela must be released. And yes, even Chief Buthelesi must be reckoned with — but in the right context.

DAVID E. SATOLA, Geneva.

Some of Us Don't Laugh

Major General Richard V. Secord is quite wrong to think that the whole world is laughing at the United States for its public investigation of the Iran-contra affair. On the contrary, what I and others perceive is a healthy democracy at work. In what other country can the elected representatives of the people bring the governing administration to heel for trying to deceive and bypass them? Would that it were so here in Britain.

MARCUS GIAQUINTO, London.

British Defense Policy

Although I have received a number of letters from readers complimenting me on my dissenting appraisal (Letters, April 16) of the British Labor Party's defense policies, I crave your courtesy to respond to critical responses (April 27) from Mike Gapes of London and Ben Lane of Solihulla, Sweden.

Mr. Gapes has clearly not read the third paragraph of my own contribution, in which I pointed out that there is all the difference in the world between a

member state of NATO that has never had nuclear weapons on its soil, nor been asked to have them within an accepted NATO strategy of comprehensive overall defense, and, on the other hand, the sudden unilateral withdrawal from its share in that strategy by a country — the United Kingdom — which, in accord with the 1979 dual track decision, agreed to have some intermediate-range nuclear weapons on its soil.

The statement that "the British government chooses this moment to engage in a massive increase in the capability of its strategic arsenal" is unfounded. The Trident program approved by Parliament in 1980 is an updating and reinforcing of our existing sovereign nuclear deterrent capacity. It has nothing to do with the intermediate nuclear weapons which the Russians and Americans are now discussing, and it follows along exactly the same lines as those adopted by previous governments since the last war — Labor as well as Conservative.

As for the accusation that implementation of the Trident program will mean big cuts in the British Army, Navy and Air Force contribution to NATO, this is no less absurd. Not even the harshest opponents of Trident can truthfully assert that its implementation will cost more than 3 percent of the total defense budget. If Labor promises to replace our deterrent by an increase in conventional forces which could have any meaning at all, we should instead have to meet at least double the total annual expenditure.

As regards Mr. Lane, if he is purporting to speak for the people of Sweden, I must say that the inhabitants of that friendly nation really are the least well-qualified to tell anyone else how to defend themselves. Sweden's traditional armed neutrality is a matter of decision by their government and their country, which we must all respect. Yet it remains a fact that it is only because of the defense efforts and sacrifice of others that Sweden has survived two world wars in peace and freedom and with the comparative security which it now enjoys. And Chernobyl has shown that today the maintenance of peace, freedom and security for all of us in Western Europe is inescapably a concern for all.

Sir FREDERIC BENNETT, M.P., Vice-President, Western European Union Assembly, London.

Guerrillas or Terrorists?

I was surprised to find you describing IRA terrorists as "guerrillas" in the report "8 IRA Dead Are Mourned by Marchers" (May 11). These are the people who creep about at night shooting defenseless men and women, old and young alike, and set off bombs in cafes and pubs. These are the people who have allied themselves with Moammar Gadhafi because he has promised them money, arms and explosives for their terrorism.

L.E. ALLWOOD, Le Chateau d'Oléron, France.

GENERAL NEWS

SUPER: In Research, Japan Promotes Coordination

(Continued from Page 1)

aside, believing the reported findings to be wrong.

He gave it to a graduate student in physics, who had approached him and asked for permission to try it out in the lab "and make a joke of it."

The student, Hidenori Takagi, 26, found it was no joke at all. On Nov. 13, he and another student found signs of reduced magnetism in the material they were making, a sign that the paper's findings were valid.

"I was astonished, deeply moved," Mr. Takagi recalled. "I doubt I'll ever have such a feeling again." He reported his findings to a professor, who told him to buy a bottle for a celebratory toast. A half-dozen researchers raised glasses together.

Since then, the lab has been extremely busy. Mr. Chiba and other researchers often spend the night there. "At the very busiest times, I'm not really sure where my home is," he said.

The university's announcement that it had confirmed the IBM study had touched off a frantic wave of research. The giants of the Japanese electrical industry joined with personnel and money.

"We didn't have to apply the whip," said Minami Ichikawa, a ministry superconductor specialist.

"The companies were off and running on their own."

One of the groups formed to coordinate the research, the Science and Technology Agency's superconductor committee, has more than 100 member organizations. It is holding public symposiums and closed-door meetings between specialists, the first time the agency has tried to organize private companies this way.

Mr. Chiba said that the group might eventually agree to divide the research, perhaps with the government focusing on basic research and companies on commercial development.

A second committee, run by Ministry of International Trade and Industry, is smaller and less visible. More than 20 senior researchers from companies and government laboratories belong.

It has met formally only once since April. A smaller working group has convened four times. The group keeps the ministry informed and exposes top researchers in Japan to a few of their competitors' secrets.

"We try to get the researchers to put a little bit of distance between themselves and their companies and to bring in the results of their studies," said Hirokazu Nakama, a ministry official.

Estimates of 100 Japanese labs in the race are heard. Many, however,

are doing work that simply tries to duplicate others' accomplishments.

Discoveries have come rapidly. On April 2, Toshiba announced it had fashioned a superconductor wire that worked at 93.7 degrees Kelvin, or minus 179.8 degrees centigrade. The Kelvin scale is based on absolute zero, at which all molecular motion stops. Zero on the Kelvin scale is minus 273 degrees centigrade.

On April 7, Mitsubishi Electric Corp. said it had found a material that worked at 95 Kelvin and would carry larger currents than previous materials.

The April edition of the English-language Japanese Journal of Applied Physics carried 84 articles on superconductivity. Several public conferences in Tokyo have become the same sellous seen at similar U.S. events.

In the long run, Japan's approach to superconductor development could be heavily influenced by an attitude common in Japanese society: While competition is believed to be good, harmony, stability and predictability are seen as equally desirable.

As of last year, the government was overseeing 427 cartels, ranging from major industries in decline, such as aluminum, to barber shops, where the government establishes a minimum price for a haircut.

Japan has antitrust laws, mostly put in place during the U.S. occupation after World War II. But they are enforced less vigorously than those of the United States. Laws for promotion of specific industries often give antitrust exemptions.

Japanese offer their superconductor achievements as proof that their companies excel without government guidance. Japan has historically borrowed foreign technology, they say, but this time may be different.

"In the United States, it is Bell Labs and IBM, the premier labs, that are working on superconductors," said Michihiko Nagumo, a Nippon Steel Corp. research director handling the materials. "It is an honor to be competing with them."

Many Japanese believe that even if they lose in the basic research, they can come from behind in a more important race — to commercialize the discoveries.

Japan's list of achievements is daunting: the videocassette recorder, the transistor, the color television, electrical generators, machine tools and broadcast equipment.

A researcher, Kiyohisa Junosuke, has written that, "By concentrating on the development of consumer technology and not wasting money and the country's best brains on military technology, Japan has been able to accomplish more than other industrialized nations in many areas."

Alice Sheldon, 71, an Author Of Science Fiction, Kills Self

Washington Post Service

WASHINGTON — Alice Sheldon, 71, who wrote science fiction under the pen name of James Tiptree Jr., shot and killed her ailing husband and then herself in McLean, Virginia, on Wednesday, the police said.

The bodies of Mrs. Sheldon and her husband, Huntington Sheldon, 84, a former analyst for the Central Intelligence Agency, were discovered Tuesday in their bedroom with bullet wounds in their heads, the police said.

"She left notes indicating she was going to do it," said Robert F. Horan Jr., a state's attorney. "Evidently there was some sort of pact between them. It appears that her husband's health was increasingly becoming more difficult for him."

Friends said Mrs. Sheldon suffered from depression and medical problems. Mrs. Sheldon was married and blind.

Her books include "The Women Men Don't See," "The Screwfly Solution" and "Love Is the Plan, the Plan is Death."

Post last year, she was described as one of "the finest writers of short fiction to emerge in the '70s" and as someone who "stunned the community when it was revealed that she was a she. Dr. Alice Sheldon of McLean, Virginia."

The writer Robert Silverberg said he had been convinced that Tiptree's books could have been written only by a man because of the style and experiences, including expertise on guns.

Other deaths: Dudley C. Sharp, 82, secretary of the air force under President Eisenhower, of cancer Sunday in Houston.

Frederick A. Potte, 89, Sterling Professor Emeritus of English at Yale University and for more than half a century the intellectual force behind the editing and publication of the journals of James Boswell, Saturday in New Haven, Connecticut, after a long illness.

General Hussein Fardoust, former assistant chief of the Iran's secret police, Savak, during the shah's era, Monday in Tehran of a heart attack.

NOTES ON A CENTURY

The IHT's Paris Conference: Around the World in 80 Ideas



By Julian Nundy

Take a generous helping of monetary stability. Throw in a dash of business conducted by executives using lap-top computers on beaches in Tahiti. Relay the mixture by instantaneous world-wide telecommunications and pay for it all with plastic.

Then add to it, according to taste, Turkish desires to join the European Community and/or a soupçon of *glamour* and you have at least one version of the "globalization" cocktail presented at the International Herald Tribune's Centennial Conference in Paris.

The April 13-15 conference, held to help mark the 100th anniversary of the newspaper's founding in Paris, brought together well-known men and women in politics, economics, business, scholarship and diplomacy to discuss issues raised by the theme "New Interdependence: Managing a Global Transition." A similar conference is to be held in November in Singapore.

Prominent among the three dozen speakers were Elizabeth H. Dole, the U.S. transportation secretary, and Alain Juppé, budget minister of France. Both vigorously extolled the golden opportunities for governments to do less — and thereby better.

Toyoo Gyohten, vice-finance minister for international affairs in Japan, hinted that his country could become the "turntable for capital for developing countries" as part of larger international efforts to stimulate wider world growth. Chikao Tsukuda, of Japan's Industrial Policy Research Institute, predicted that Japanese gradually



Elizabeth Dole, U.S. Secretary of Transportation, and Alain Juppé, Budget Minister of France, chatted between speeches with Lee Huebner, IHT publisher.

will try to rely less on exports and direct more production to improving their own living standards. But several speakers also pointed out that Japan's success in exports has been due to Japanese excellence, not just to cheap yen.

One speaker explained the need for "democratization" in his country accompanied by changes in the law to "strengthen citizens' rights" and give them more opportunities for private enterprise. He was Vitaly Zhurkov, deputy director of the USA and Canada Institute of the Soviet Academy of Sciences. His glimpse of how Mikhail S. Gorbachev's *glasnost* or openness policy as presented to foreign audiences was followed by a series of critical questions from the floor, none of which appeared to perturb the speaker.

Sir Michael Palliser, former senior British diplomat and current chairman of Samuel Montagu, said that Western leaders should encourage Moscow along its apparent path of reform under the new Soviet leadership. But Europe's sometimes controversial economic dealings with the Soviet Union are constrained, one speaker said, by Soviet factories' inability

to produce marketable goods to trade with the West. The speaker, Etienne Davignon, former EC Commissioner, added that Europe's trade with the Soviet Union will continue sparking more political heat than economic light.

During a time when news of the fortunes of the dollar and the prospects of a nuclear arms accord in Europe were much to the fore, echoes of these topics were in plentiful supply at the IHT conference.

Karl Otto Pöhl, president of the Deutsche Bundesbank, talked directly about the need for a stable international monetary order. Helmut Schmidt, former Chancellor of West Germany, lamented that the world's major currency, the dollar, was a "yo-yo" and made a plea for a coordinated European defense system that would rely on conventional weapons instead of nuclear deterrence.

A major focus throughout the three days was how to cross national and regional barriers to mold the future, exploiting technological advances to make the world a more competitive single market commercially — and render it a

safer and, perhaps, fairer place. Hideo Matsumura, of Nomura Securities, cited steps in Tokyo to attract foreign companies into the Japanese stock exchange and into his country's telecommunications market.

Several corporate leaders argued that technological advance often counts less in success than a company's ability to meet local consumer tastes and to maintain a reputation for quality. Russell Hogg of MasterCard International said that his company's marketing — notably the risky gamble of distributing millions of cards almost indiscriminately to launch the product — had done more than any technological innovation to wean people from checks to credit cards. Ebel Watches' managing director, Jean-Marc Jacot, said wristwatches today are considered almost as apparel, valued for design and image, much less for technological extras.

Quality was stressed by managers from sectors as different as fine luggage and banking. Louis Vuitton, said chief executive Henry Racamier, exports "European lifestyles" into an expanding world market for luxury goods. Banking

still relies on quality, said the president of Swiss Bank Corporation, Walter G. Frehner. Deregulation and rapid technologies are creating a wave of "financial supermarkets" offering a wide variety of banking and stock-broking services. But these supermarkets often standardize products: a universal bank such as Swiss Bank Corporation keeps customers by its discriminating service.

Alongside these reminders about traditional industrial values, R.W. Sturm, of AT&T, noted that the powerful combination of computers and telecommunications is creating "global corporations" with a single management system worldwide. A successful global corporation functions as a network with each of its companies operating autonomously in its markets while coordinating its work constantly with the rest of the group.

The process, it appeared, is an example of a trend called "globalization." Globalization?

John Ashworth, vice-chancellor of Britain's Salford University, who holds the not always popular view that educational institutions should strive for efficiency just as businesses do, bridled at the word. Acknowledging that the concept was almost certainly here to stay, he told the conference that he found the word ugly and cumbersome. And he made a plea for someone to come up with an alternative before "globalization" makes it into our daily vocabulary.

Any offers?

This is the sixteenth in a series of messages about the IHT which will appear throughout the Centennial year.

SCIENCE

Power, Sex and Self-Destruction



People who came to grief, from left: The TV evangelist Jim Bakker (shown with his wife Tammy); the presidential candidate Gary Hart; and President Richard M. Nixon.

By Daniel Goleman
New York Times Service

THE drives that lead powerful men to self-destructive sexual encounters have little to do with sex, according to psychiatrists and other mental health experts.

Instead, they cite an explosive psychic combination of unhealthy narcissism and a grandiose sense that normal rules do not apply to oneself. At work are the narcissist's desperate need to prove himself and, paradoxically, a deep urge for failure.

No one can say from afar what motivates a given public figure; psychotherapists cannot diagnose at a distance. And a single incident in a person's life — no matter how notorious or consequential it becomes — may not indicate a life-long pattern in personality.

Still, many experts see patterns in the well-publicized difficulties of Gary Hart, whose presidential campaign ended amid allegations of "womanizing," and Jim Bakker, the television evangelist who left his pulpit after an adulterous affair.

The sexual nature of the indiscretions is, no doubt, partly due to the opportunities for dalliance that power and fame bring. "Some women love to be involved with men of power; it's a mutual seduction," said Judd Marmor, a psychoanalyst in Los Angeles. "The trouble begins, though, when that is combined with the arrogance of power, the feeling that the rules are made for other people, not for oneself."

Psychologists say the syndrome can lead to other kinds of abuses of power unrelated to sex — even to

debates like the Iran-contra scandal or Watergate.

"There is a terrific seduction of the spirit that takes place when you are surrounded by admiring throngs, when the red carpet is laid out for you," said Dr. Marmor. "Unless you are aware of the blinding effect the adulation can have, your judgment can be impaired so that you begin to feel that you are immune to normal limits and penalties. You see it in Gary Hart, and you see it, too, in the arrogance that lies behind Infragate."

Ann F. Lewis, national director of Americans for Democratic Action and former director of the Democratic National Committee, said: "From the moment you enter the world of a presidential campaign, the normal rules no longer seem to apply. You're in a vacuum-sealed universe where everyday concerns no longer exist. It's easy to forget the rules of the real world. But they are neither expired nor suspended — they're waiting for you right outside the door."

That feeling of grandiosity is one of the appeals of power in the first place, particularly for the character type known to psychoanalysts as the narcissist.

"Hart wanted to feel he led a charmed life," said L. Jolyon West, chairman of the department of psychiatry at the medical school at the University of California at Los Angeles. "He had a self-deceptive sense of invulnerability; he seemed to believe he would not be found out, no matter the risks he took."

There is a healthy variety of narcissism, a feeling of excellence that



President Kennedy also transgressed but was not pilloried.

is the natural companion of true accomplishment. Indeed, a certain degree of healthy narcissism is thought to be a prerequisite to success in politics, as in other fields. But the pathological form of narcissism impels people to achieve for neurotic reasons.

"Most of us get enough sense of self-worth in childhood that we don't need to rely on constant praise from others for it," said Robert Michels, chairman of the department of psychiatry at Cornell University Medical College. "But if as a child you have a sense of being unloved, then you can go through life like a child forever seeking love and approval; you need to have praise simply to feel merely adequate."

Closely linked to the striving for achievement in unhealthy narcissism is a need to fail. The uncon-

scious need to fail was noted by Freud, who said men who ruined their own success were commonly seen in psychoanalysis.

"If your self-esteem is so fragile, you are unable to believe the applause," Dr. Michels said. "You feel guilty and conflicted about the praise, because you don't believe you deserve it. Such people vacillate between a sense of undeserved success and a feeling of worthlessness. When they finally achieve a great success, they devalue it or even undermine it. Their success is destroyed because it had built into it the seeds of defeat."

People who seem to undermine themselves may have "many strong motives that they do not know about," said Mardi Horowitz, a psychiatrist at the medical school at the University of California at San Francisco. "And they often

don't know what their unconscious moral standards are. They get themselves in trouble as punishment for having gotten something that, deep down, they do not feel they should be allowed to have."

Such people may invite discovery. "The circumstances of Hart being found out and of Nixon taping the conversations that undid him both suggest people who, at some level, want to be caught," said Lester Luborsky, a psychologist at the University of Pennsylvania. One political analyst said he felt Hart's problems resulted from "ambivalence about the presidency" — both wanting it and not wanting it, as Hart himself has said — "rather than a political death wish."

Another hallmark of the narcissist — and it often dooms their relationships — is a preoccupation with their own gratification, in combination with a lack of regard for how others feel.

"Such people come to feel they can do no wrong, and should be allowed to do whatever they want," said David Spiegel, a psychiatrist at Stanford University Medical School.

The psychological experts suggested that there may be factors that would lead the public to react strongly to transgressions that would have been forgiven in less elevated figures — or in an earlier time.

For example, the extramarital sexual encounters of John F. Kennedy and Martin Luther King Jr. were well known by their immediate circle and even by some members of the press. But things have changed since then. Some experts

point to changes in the status of women since the early 1960s. Others point to heightened concern over the president's role in the fate of the world.

"Now, more than ever in history, our personal welfare depends on the moral fiber and judgment of the president," said Milton Greenblatt, a psychiatrist at UCLA, who has made a study of the presidency through history. "That makes us more critical of that fiber than before."

Dr. West of UCLA said: "There is a special meaning to sexual indiscretions in someone like a presidential candidate, or a minister, for that matter. Why are we preoccupied with the old-fashioned image of an ultra-pure, loving couple — the Harts or the Bakkers? With the family so threatened and fragmented today, we want our leaders to reassure us that the ideal is still viable. We want them to symbolize that for us. When they don't, we feel a betrayal, because they have destroyed our idealized image of the family."

Dr. Greenblatt likened the president to "an idealized good parent," saying: "He's supposed to be pure, monogamous, fatherly. If he betrays that ideal, we're outraged, like small children whose parent lets them down."

Bill Hamilton, a political consultant at Hamilton, Frederick & Schneiders in Washington, agreed. "People cannot forgive things in the president they would in a governor," he said. "He's the last man between them and nuclear war, economic instability, world turmoil. They want to know the guy is solid and knows himself."

IN BRIEF

Nitrous Oxide Depletion Is Reported

BALTIMORE (NYT) — Radio observations in Antarctica have revealed another "hole" in a chemical of the stratosphere, deepening the mystery of what happens there in the spring. The "hole" that has been of primary concern is in the ozone layer that protects the Earth from damaging ultraviolet solar rays. In recent years, scientists have documented a marked seasonal decline in ozone over Antarctica. Now, scientists also report a mysterious seasonal gap in nitrous oxide.

While the temporary decline in nitrous oxide is not believed to pose any direct danger, it is probably linked to the ozone fluctuations, scientists said. The almost total absence of nitrous oxide last spring was "very strange," said Dr. Robert L. de Zafra of the State University of New York at Stony Brook, who took part in observations at McMurdo Sound, Antarctica. "It does not follow anything we know. And we are rock sure of our data." The findings were described here at the spring meeting of the American Geophysical Union.

Nitrous oxide is constantly being formed, chiefly by biological activity, and normally is diminished only gradually by a variety of chemical reactions in the stratosphere. It is usually spread uniformly from pole to pole. Yet the nitrous oxide findings underscored the continuing lack of knowledge. The role of nitrous oxide is unclear since the gas is thought to be involved in chemical reactions that both generate and deplete ozone.

Cancer Virus Linked to Drug Users

NEW YORK (NYT) — Scientists of the National Cancer Institute have found a surprisingly high prevalence of a rare cancer-causing virus, HTLV-1, in drug abusers tested in New Orleans and six New Jersey cities. "Physicians in these regions should be alert to the possibility of adult T-cell leukemia-lymphoma syndrome, a malignancy with an often explosive clinical course," the scientists said in a summary of their report, presented at a cancer research meeting in Atlanta.

The virus can cause leukemia and related blood cancers as well as damage to the central nervous system. Shortly after its discovery in 1980, in a region of southern Japan, where it was linked to an unusual incidence of leukemia, the virus was discovered in some people of African ancestry in the Caribbean basin and then in the southeastern United States.

New Drug Aids Schizophrenics

CHICAGO (AP) — A new drug that has been shown to help one-third of previously untreatable schizophrenics with irreversible brain damage may offer insight into the causes of the disease, researchers say.

Although the drug has a potentially fatal side effect, it is the first to show improvements in patients whose brain damage suggested they were beyond the help of drugs, said Dr. Herbert Meltzer of Case Western Reserve University in Cleveland, one of the directors of a new study of the drug's effectiveness.

"I would predict within three to five years we'll have a safer version of this drug and we'll know more about schizophrenia," Dr. Meltzer said at the annual meeting of the American Psychiatric Association. He and his colleagues, Dr. John Kane of Long Island Jewish Hospital in New York, reported that about 30 percent of the estimated 300,000 Americans with untreatable schizophrenia improve with the drug, clozapine. "This is the first time in the history of these drugs that any one anti-psychotic drug has been shown to be superior to any of the others," Dr. Meltzer said.

Americans Found Careless About Sun

WASHINGTON (UPI) — Two-thirds of Americans are aware that too much sun can lead to skin cancer, yet many sunbathe without a sunscreen and some have increased the time they spend soaking up rays, a survey for the American Academies of Dermatology and Pediatrics shows.

Of 1,138 teenagers and adults surveyed, 21 percent said they were sunbathers. Of the sunbathers, 79 percent said they were concerned that exposure to sun can lead to skin cancer, or melanoma, and 73 percent are concerned about premature skin aging. But 24 percent of the sunbathers said they were spending more time in the sun than they did several years ago, and only 36 percent of those surveyed had used a tanning or sunscreen product in the previous four months.

The academies said a third of all cancers are skin cancers and that exposure to sunlight is responsible for 90 percent of skin cancers.

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Norway: Political Stakes

IN THE NEWS

June 18, 1986: Austerity Introduced by Brundtland

The parliament approves a \$426 million austerity package in the first major test of the Labor government of Prime Minister Gro Harlem Brundtland. The final package included Norway's biggest public spending cuts since World War II but the government failed to gain support for a 2 percent increase in personal income taxes that would have netted an extra \$40 million.

Aug. 22: Oil Companies Get a Tax Break

Finance Minister Gunnar Berge announces a 25 percent cut in the tax burden on companies producing oil and gas from its offshore fields. The measures are aimed at keeping foreign oil companies interested in Norwegian activities despite low oil prices. The reforms are expected to cost the government about 2.4 billion kroner (\$363 million) between 1987 and 1990.

Dec. 2: France Agrees To Join Gas Project

France approves its part of an agreement to buy natural gas from Norway after earlier threatening to pull out of the deal. Under the \$70 billion agreement, West Germany, the Netherlands, Belgium and France will finance the building of a pipeline from the North Sea to Belgium. Beginning in 1993, the four nations will be supplied gas for 27 years.

Dec. 17: Revised Budget Passes Parliament Test

The government survives a parliamentary vote on its revised 1987 budget after reaching agreement with opposition parties on tax increases. The budget's approval represented the toughest test to date for the Brundtland government, with the economy still suffering from its heavy dependence on falling oil revenues.

May 15: New Measures On Spending Proposed

The government sends its revised 1987 budget to parliament. It proposes increasing public expenditure by 2 billion kroner, which will be covered by trimming existing budget commitments and raising fees for several state services. A proposal to boost revenue by placing a turnover tax on trading in Norwegian stocks, to be divided equally between buyers and sellers, has met with sharp criticism from share dealers.

IN THIS REPORT

Economic Pressures 10

The Norwegian economy is running at full steam, and this is not entirely happy news.

Computers 12

The computer revolution arrived later than in other European countries, enabling Norwegians to draw on the experience of others.

Oil Outlook 13

After a stormy year of volatile prices, uncertain plans for exploration and government changes, the oil industry is on a calmer course.

Touring Jotunheim 12

Norway's travel secret is the Jotunheim, or "home of the giants," a stunning combination of alpine peaks, glaciers, waterfalls and lakes.

Brundtland's Survival

Opposition Split Keeps Left in Power

By Per Egil Hegge

OSLO — After one frustrating year in opposition, the Norwegian Conservative Party is heading a make-or-break effort to topple Gro Harlem Brundtland's Labor government before the midsummer parliamentary recess. The trouble is that the Agrarian Center Party, one of the Conservatives' two former coalition partners, is dragging its feet.

And opinion polls show that most Norwegians share the prime minister's confident view that she will survive in office until the parliamentary elections in September 1989.

The impatience on the part of the Conservatives was very much in evidence during this month's national party conference. Their new leader, Rolf Presthus, demanded a change of

government before the middle of June. The applause was strong — only to be followed by the familiar "yes, buts" from the Center Party.

The three-party coalition of the Conservatives, the Christian People's Party and the Center Party, held together from June 1983 until it fell in April last year. In the elections in 1985, the coalition lost its majority in the Storting, or parliament, and became dependent on the two votes of the maverick rightist Progressive Party.

The Progressives, led by Norway's most telegenic politician, Carl L. Hagen, joined forces with their socialist enemies to defeat a modest austerity measure, and the government resigned.

Mrs. Brundtland took office and promptly reintroduced the austerity measure that she had voted against in order to bring down the government. For the last year, she has dominated Norway's political stage. She has also become an international figure of some stature, not only because she set a world record by naming a cabinet with eight women but also because she is head of the United Nations Commission for Environment and Development, which presented its report at the end of April.

The three former coalition partners will face a serious credibility problem if they prove unable to rejoin forces and present a government program designed to put them into office before the June recess, which lasts until October.

They proclaimed last year that the Labor government would stay in office for only a few months. But in December, the Center Party voted for the Labor government's economic proposals against their former Conservative partner. The former coalition thus seems, in-

creasingly, to be much like Humpty-Dumpty.

The question most foreigners ask is why Norway has a Labor government when there is a majority of non-socialists in parliament.

The psychological part of the answer must be sought in the old animosity between the Conservatives and the Center Party, which until a generation ago was known as the Agrarian Party.

The Conservatives were very much an urban crowd with hardly any following outside the cities, and the voters of the two parties have, up to now, reflected two highly differing lifestyles.

There are also regional differences of an almost Italian complexity. Locally, the Conservatives and the Center Party work well together in the western parts of Norway, while they



Gro Harlem Brundtland

Continued on page 12

The 'Two Welfare States' And a National Dilemma

By Kaare Hagen and Gudmund Hernes

OSLO — In Norway, there is not one welfare state but two. The tension between them poses grave political challenges that are exacerbated by demographic changes and external shocks to the economy. If one of them, the welfare state for citizens, is to survive, the other, the welfare state for business, has to give way.

Ordinarily, the welfare state is conceived of as state responsibility for the well-being of its citizens. In Norway, the cornerstone of this system is the People's Pension Program of 1967, providing not only pensions and cash benefits during unemployment or disability, but also health insurance. An average salaried employee receives 100 percent of lost income in case of illness, 70 percent in old-age pension and 60 percent if unemployed.

Its two salient features, universal coverage and income-related benefits (as well as contributions), are the chief explanations of the almost unanimous popular support for the social security system. Polls regularly report 80 to 90 percent in favor of maintaining or expanding the present arrangements. No government can ignore this consensus.

However, a proper view of Norwegian welfare policies must include the comprehensive set of "welfare" arrangements developed in the postwar period in order to shield firms and their employees from the vagaries of international competition and business cycles.

To ensure full employment as well as continued settlement in rural areas, a large number of public transfer arrangements have been developed within a broad political consensus. By subsidizing marginal economic activities (including a guaranteed income for farmers), these two policy targets have been fused. Transfers to agriculture, fisheries and manufacturing amounted to 14 billion kroner (\$2.2 billion) in 1984, compared with 20 billion kroner for old age pensions the same year.

The prominent role of public regulation and intervention, both

in shaping the universalist welfare state and in subsidizing economic activities, is best understood as a historical compromise between a unified labor movement and rural-based bourgeois interests.

For topographical reasons (waterfalls and minerals), Norwegian industry was to a large extent based in rural areas, with local communities heavily dependent on one or a few companies. The social democratic objective of maintaining employment in these traditional industries converged with conservative interests in preserving rural settlement. The combined threat of falling international demand and increasing world agricultural supply has generated arguments in favor of institutional employment guarantees.

This comprehensive welfare

policy has beyond doubt been successful. It has been based on, and has in turn buttressed, a national consensus.

However, these policies have economic and political consequences that may now jeopardize the institutional welfare model. Public transfers have frozen the industrial structure and tied manpower to the production of commodities with no or declining market potential. Secondly, an unintended effect is that marginal economic groups under the shelter of public transfers have developed organizations with a political muscle out of proportion to their economic significance. In fact, this is a highly rational response in a system where as much or more has been gained through bargaining and pressure on government guarantees.

Continued on page 13



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Demographic changes have put increasing demands on the pension system.



John Copes-Von Hesse

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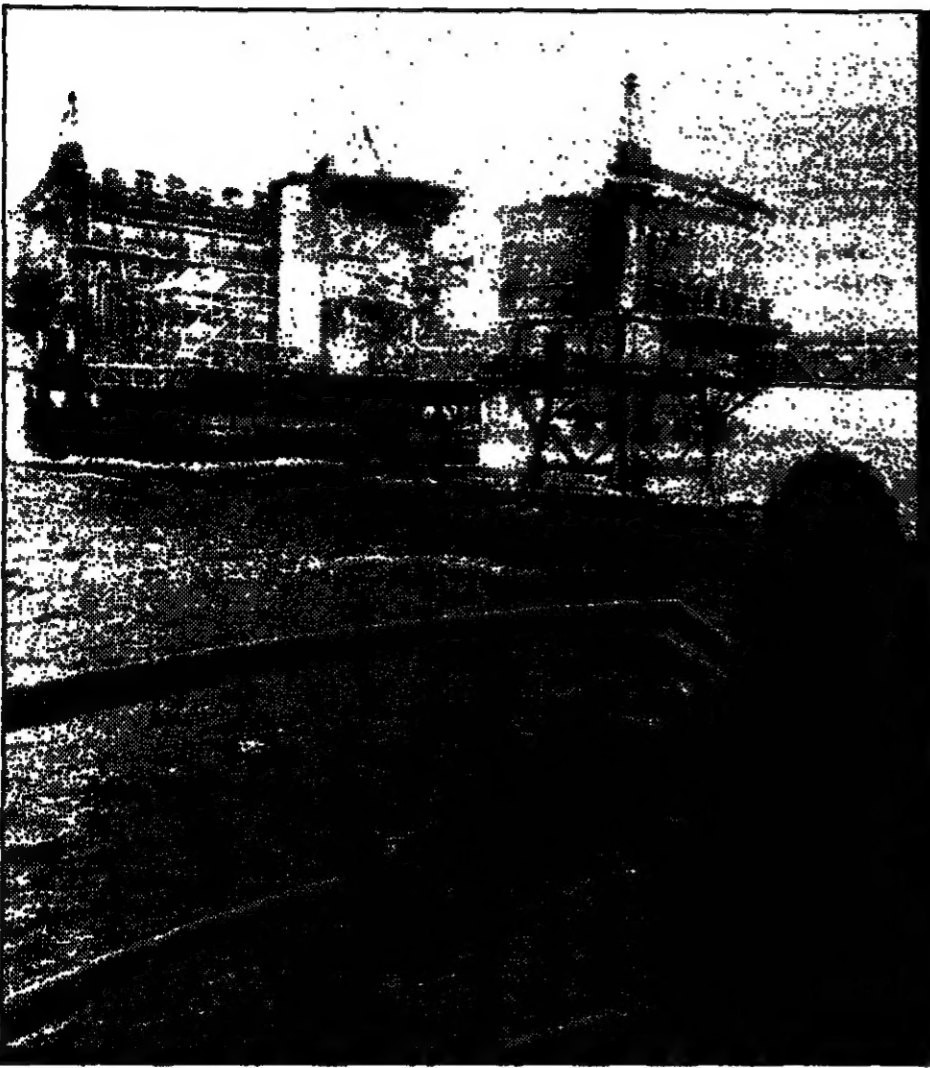
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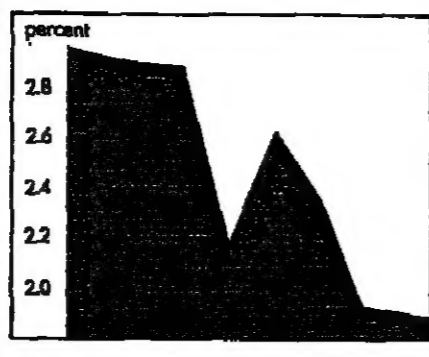
Symptoms of an Overheated Economy

WHEN the price of oil began its downward slide at the end of 1985, the Norwegian economy had already been thrown out of balance. Fueled by expansionary fiscal and monetary policies in 1984-85, real income gains and financial conditions, symptoms of an overheated economy became apparent, particularly in the labor market. Imbalances widened further in 1986, the Organization for Economic Cooperation and Development notes in its new report on the Norwegian economy.

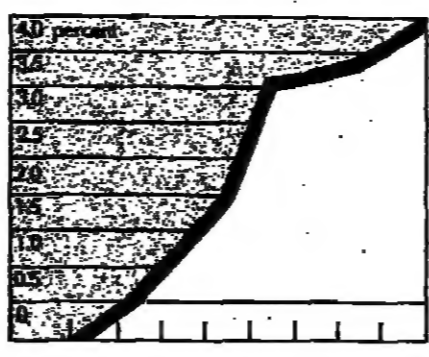


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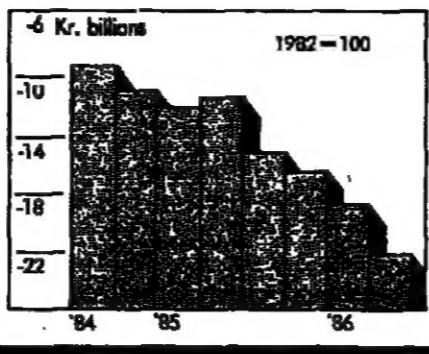
Unemployment Rate



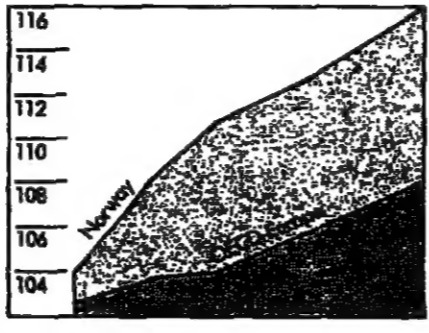
Employment Growth



Non-oil trade balance



Domestic demand



EXPLORATION: Ekofisk, located 280 kilometers southwest of Stavanger, was the first petroleum field on the Norwegian continental shelf to be declared commercial. A Phillips 66 field, it was discovered in December 1969.

Source: OECD

Inflation and the Deficit

Growth May Be Declining After Spree by Consumers

By Juris Kaza

OSLO — Just as an inflationary consumption boom shows the first signs of easing, economists say steady energy prices are threatening to lull Norway into complacency about problems in the non-energy-related sectors of its economy. Oil prices have recovered and stabilized at around \$18-\$20 per barrel in recent months after the sharp fall last year.

"The Norwegian economy is still running at full steam," said Bjørn Skogstad Aamo, undersecretary of state in the Ministry of Finance. He made it clear that this was not entirely happy news.

A boom that expanded private consumption 16 percent in volume terms in the two-year period 1985-1986 is just starting to flatten out, and Mr. Aamo expects inflation in 1987 to hit 8 percent, somewhat higher than the 1986 rate of just over 7 percent. On a 12-month basis, inflation was touching 10 percent during the first quarter of 1987.

Economic growth in 1987 may slow to between 2.5 percent and 3 percent, including the energy sector, and 1 percent excluding energy, down from 3.8-percent growth (3.5 percent non-energy) in 1986, the Finance Ministry said. It added that "for years, we have had growth well above the European standard."

"Our most serious problem is prices and costs," said Mr. Aamo, an economic spokesman for Gro Harlem Brundtland's minority Labor administration. "It takes time to cool down the economy."

He pointed out, however, that most 1987 labor contracts had been renewed without wage increases, and that the government was making progress in cutting or stabilizing expenditures for subsidies to ailing industries and social welfare. Norway's unemployment hovers around 1.5 percent to 2 percent, a figure economists consider the rock bottom in any modern industrial society.

"The 1987 wage agreement looks promising on the surface, but we had high increases last year," remarked Tor Bang, chief economist of Den norske Creditbank, Norway's largest commercial bank. "In addition to these national talks," he said, "you have had company-level agreements, and we've seen strong unions press for considerable increases. Some have gotten 10 percent raises against the recommendations of both the trade union confederation and the employers' central negotiating organization."

Mr. Aamo said the government was narrowing its forecast of a current account deficit to around 30 billion kroner (\$4.51 billion) for 1987 from earlier forecasts of 39 billion kroner. One major reason, he said, was "the somewhat better oil price and somewhat higher oil production."

Indeed, oil and gas exports accounted for more than 40 percent of Norway's total exports, and without the energy sector, the nation's trade account has been running a deep deficit.

"The current account deficit will be our main problem in coming years," said John Tvedt, a senior economist at the Bank of Norway, the central bank. "There's no problem in financing it over the next few years, but there will be if we don't do anything with our policies and it becomes a chronic deficit."

Mr. Tvedt thinks the steps Norway needs to take are "mainly in fiscal policy, and number one is to keep public spending down, especially transfer payments, such as the subsidies we have for ailing industries."

Mr. Bang of Den norske Creditbank cautioned that government revenues are especially sensitive to oil price fluctuations because of the high taxation of North Sea operators' profits.

"We must think not so much in terms of the dollar oil

price as of the effective Norwegian kroner revenues," he said. "What really matters is the purchasing power of a barrel of oil. With a lower Norwegian kroner oil price, most revenues go to cover operating costs, but when the kroner price rises, the government is the beneficiary to the extent of 85 percent."

The bank economist pointed out that most reporting of Norway's North Sea production in terms of "equivalent barrels of oil" masks the high proportion of natural gas. "It is around 50-50," Mr. Bang said. "While the oil can be sold worldwide, gas sales are to Great Britain and European markets, where we are directly connected by pipeline. So we are dependent on demand in those markets."

"We need an oil price cut," Mr. Tvedt said. "When we

'Our most serious problem is prices and costs.'

had one, we saw our problems much more clearly. The bottlenecks appeared, and those were our very tight labor market and the deficit in 'traditional' trade."

Mr. Aamo at the Finance Ministry asserted that the minority Labor government, which took power in early 1986, had been relatively successful in coping with Norway's immediate economic problems. Last year's effective 10 percent devaluation of the kroner "was a necessary defensive measure that has so far been successful," he said. "After the wage increases and the shorter working hours (starting in 1987) that were part of the settlement, we expected a decline in competitiveness of about 10 percent," Mr. Aamo said. "That, together with constant pressure on the kroner, was the reason we had to devalue. We have been able to fend off a worsening of our competitiveness, but we haven't been able to improve our position."

Acknowledging the calls for reduced spending, the Finance Ministry official said, "We have a fairly tight budget. In fact, Norway is the country in Europe with the biggest budget surplus. We need to have a deficit in the budget when oil revenues are excluded, and now we have a surplus even without oil revenues. This is the result of our measures, which included both tax increases and some spending cuts."

Industry economists do not fault Mrs. Brundtland's administration for not going far enough.

Tor Stieg, chief economist of the Norwegian Federation of Industries, said: "Since the 1986 oil price drop, politicians and public opinion have shifted to thinking in terms of reallocating resources in Norway. There is agreement on the topic. The difficulty is that we have no political majority. Both blocs have to rely on the middle in the Storting [parliament]. That's where you have the Center Party, with their farming interests, and the Christian Party, who are reluctant to cut any benefits to families."

"In 1987," Mr. Tvedt said, "we will be coming closer to achieving balance, but we still have a long way to go, and further measures are needed to get sustainable balance."

JURIS KAZA, based in Stockholm, contributes regularly to the International Herald Tribune's business pages.

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Keeping Reins on the Economy

Government Takes Cautious Stand on Spending in Revised Budget

SLO — Norway's minority Labor government, mindful of the volatile prices for its crucial North Sea oil, has declared that it may have to keep a tight rein on the economy for several years to come, despite some signs of improvement.

Last week, the government sent its revised 1987 national budget to the Storting, or parliament, indicating that current higher oil prices did not mean that the country could allow free government spending.

Although the revised budget has drawn predictable political flak from the government's opponents, economic analysts generally think Labor is right to strike a cautious note.

Norway is Western Europe's second biggest oil producer after Britain, pumping about one million barrels per day from its offshore fields.

But with four million people scattered over a huge area, Norway lacks Britain's industrial depth and resources, with oil bringing in almost 50 percent of total export earnings.

That dependency meant Norway was hit very hard last year,

when the price of crude oil fell from about \$30 a barrel to \$9 in just six months.

So the caution is understandable. The government wants to keep the economy from plunging into crisis every time oil prices drop.

The fact that oil prices have climbed back to about \$19 a bar-

rel and that production over the last year has increased mean that the economy looks better than it did last summer, when oil prices hit their lowest point.

But the government is still grappling with 10 percent annual inflation — far higher than that of its trading partners — a huge foreign trade deficit, excessive

private consumption and a severe loss of industrial competitiveness due to spiraling costs.

The initial 1987 budget was thrown out by parliament last year and Finance Minister Gunnar Berge had to announce a compromise plan last December, which cut earlier proposed state revenues by 550 million kroner

The state is practically obliged to spend large amounts in Norway, simply to support the social infrastructure in a sparsely populated country — something that voters in this welfare society expect.

The revised budget proposed increasing state expenditures by 2 billion kroner to cover "unforeseen" public costs.

Finance Ministry officials say the extra cost will be covered by trimming existing budget commitments and raising fees for several state services, such as annual automobile re-registration.

But a further proposal to boost state revenues by placing a 2 percent turnover tax on trading in Norwegian shares, to be divided equally between buyers and sellers, has met with sharp criticism from house officials and share dealers.

Government officials say the move will bring a much-needed 400 million kroner a year.

But share analysts say it is bound to limit interest in Norway's stock market, which recently hit record levels before a sharp turnaround, since foreign investors will not be exempted from the tax.

At a time when Norway would dearly like to get away from its

dependency on oil, the tax may curb interest in precisely those sectors of the economy, such as the computer company Norsk Data, that need encouragement.

The analysis also argues that the stock market, which already imposes tough restrictions on the amount of shares that foreign investors can hold in companies, needs less restrictions if it is to help the economy.

Norway's liquid money market, strapped by a plethora of reserve requirements and other limits, is an area that Conservative Party politicians as well as the central bank say needs liberalizing.

But the revised budget has held back from that, maintaining the tight government hold over the economy, although it does make a few concessions.

Norwegians are not big savers and private consumption has surged by 17 percent in the last two years.

Finance Ministry officials say there are signs that private consumption has eased in recent months, partly due to a 20 percent penalty reserve requirement that banks must pay for lending above government-set base rates.

But the revised budget proposes scrapping a 5 percent pri-

mary reserve requirement for commercial and savings banks, in a move aimed at decreasing bank lending costs and lowering interest rates, which currently hover around 16 percent in the money market.

But bankers say this is not enough. They claim that, if the penalty reserve requirement is

not lifted, it will ultimately increase loan costs passed on to borrowers through higher interest rates.

In its revised budget, the government this spring praised efforts by the country's leading employer and trade union organizations to negotiate moderate wage settlements, adding

that Norway can no longer afford cost increases nearly four times those of its biggest trading partners.

Moderate wage growth and a 4 percent to 5 percent drop in imports are cited by the government as positive trends that should reduce inflation to about 8.5 percent by the end of the year.

The government wants to keep the economy from plunging into crisis every time oil prices drop.

Industrial Development

High Costs, Lack of Markets Deter Growth

By Juris Kaza

SLO — Norway's industries have been so busy serving offshore exploration interests that international export markets have been neglected. The shock of last year's oil price declines awakened interest in increasing nonenergy exports, but industries are discovering that they are not internationally cost-competitive.

Moreover, the "modern" sector of Norwegian industry remains narrow, with most industries concentrated in the basic processing of raw materials, such as metals, fertilizers, chemicals and paper and pulp. Shipbuilding, as in most of Western Europe, is essentially a dead sector.

"We have two to three times as high inflation as our competitors," said Tom Romming, a general manager at Bergen Bank's Oslo division. "That makes it very hard in the long run to compete on international markets. Also, in the last 15 years, everybody has been busy on the North Sea and didn't have time to develop the export markets."

Norway's inflation is forecast at about 8 percent for all of 1987, but has been running at a 12-month rate of about 10 percent during the first months of the year. Centrally negotiated labor settlements have basically extended last year's contracts without additional wage increases, but economists point out that costs have been automatically boosted by a cut in the work week to 37.5 hours from 40 hours, effective Jan. 1.

Considering Norway's labor shortage, with unemployment below 2 percent, "that was the most absurd thing we could do," said Tor Bang, chief economist of Den norske Creditbank, Norway's largest commercial bank.

Mr. Bang also said that the favorable energy cost situation of Norwegian manufacturers who use the nation's abundant hydropower has been deteriorating steadily. Hydropower plants built by private interests in the 1920s are reverting to government ownership after 60 years under a peculiar Norwegian law. At the same time, taxes on electricity have risen and have been based on the marginal cost of new plants rather than the operating



Loading iron ore aboard freighter at Narvik.

cost of the entire power grid. "This has a considerable impact on our aluminum smelters," Mr. Bang said.

The recovery of oil prices means a pickup in orders from the offshore sector, but it could also create a climate for continued neglect of traditional export industries. At the same time, the lower dollar and weak markets for raw materials are hitting hard at some of Norway's biggest non-energy exporters.

"The prospects for investment on the continental shelf are better than a half-year ago," said Tor Steig, chief economist of the Norwegian Federation of Industries, "and in the medium term, investments will be much higher, which means a lot for that part of Norwegian industry occupied with deliveries to the energy sector. But it also means the Norwegian economy will be more exposed to the petroleum sector."

"Meanwhile, the falling dollar has brought a deterioration of revenues in heavy export industries. This has had a negative impact, especially on metals industries."

The first quarter of 1987 brought an improvement for the pulp and paper industries, and to some degree, for aluminum, Mr. Steig said.

Norsk Hydro, Norway's largest industrial metals and energy group, reported its first postwar loss of 324 million kroner (about \$49 million) in 1986, resulting

both from lower oil prices and weak fertilizer markets.

Mr. Steig added that for some industries, the impact of the falling dollar on margins and sales was mitigated by the lower cost,

in kroner, of servicing dollar-denominated debt.

"Structurally, what we export is not so sophisticated," said Mr. Romming of the Bergen Bank. "There's a lot of raw materials and basic manufactured goods. There are just a handful of high-tech companies. If you compare our industrial structure with Sweden, it's like two different worlds."

Bankers and economists say there is a broad consensus that Norway's industrial base needs to be broadened and upgraded, but the process will be slow. The nation's experiment with venture capital companies, for instance, is seen as a failure by many. Venture capital firms were formed in the mid-1980s because of tax incentives, and some were backed by the nation's foremost industrial corporations.

"A lot of them are losing money that went into bad projects," said Mr. Romming, who works with Bergen Bank's large corporate customers. "They show disappointing results. They are not going to be a locomotive for the internationalization of Norwe-

gian business in new fields. That expansion will have to come from existing companies, such as the computer maker Norsk Data, the medical technology supplier Nico-med and a few others."

Mr. Steig is not as harsh in his judgment. "Venture capital," he said, "has been pretty promising in the electronics sector of industry, but that's only a very small part of the industrial base. It's not enough. Chemicals, metals, paper and pulp remain the traditional base for our export industries."

Mr. Romming sees some medium- to long-term hope for improving Norway's export competitiveness in the recent wave of corporate mergers, in which some management teams are trying to create internationally viable organizations.

Other long-term solutions, he said, are an improvement of Norway's infrastructure — especially in education.

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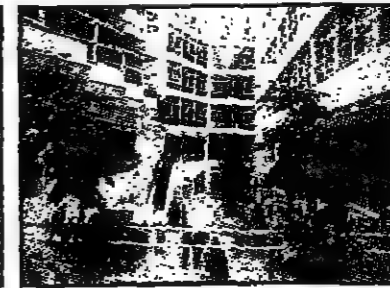
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Coping With the Computer Revolution

By John C. Ausland

OSLO — The computer revolution is sweeping Norway as it is the rest of the world. The Mikrodata 87 exhibition, which took place in Oslo earlier this month, gave a good indication of how Norwegians are coping.

With its four million inhabitants, Norway is a relatively small market. Foreign firms are, however, not ignoring it. More than two-thirds of the products at the

show were foreign, nearly half of them American.

As with other social changes, the computer revolution has struck here later than in other European countries. As a result, Norwegians are able to draw on the experience of others. Nevertheless, as in other countries, there is considerable confusion.

This turmoil has not prevented Norwegians from embracing the computer. A recent study showed that about a third of all Norwegians have had experience with

computers. About 20 percent are at present working with them.

The net result is that Norwegians are spending a great deal of money on computing. In 1986, they spent 15 billion kroner (\$2.3 billion). This means about \$360 for every man, woman and child.

As the Mikrodata 87 exhibition demonstrated, interest focuses on three main lines of development — communications, desk-top publishing and local area networks.

As noted by Tom Wingard, the director of the trade association

About a third of all Norwegians have had experience with computers.

that sponsored the show, the combination of the computer and the telephone will play a large role in our lives in the future. At present, however, there are many problems.

The first is to choose among the many data bases available. Tove Molvig, of the National Library Service, recently released a list of 74 data bases, mostly Norwegian. Norwegian banks have been particularly aggressive in marketing their data bases, which cater primarily to the business community.

Newspapers are now entering the field. The Oslo daily Aftenposten is about to launch its full text data base, after being delayed by a controversy with the Norwegian authors' association.

Of the foreign data bases, Reuters has been particularly successful. Aftenposten is offering a British full text data base, DATA SOLVE. A consulting firm, AX-ESS, is selling the California-based DIALOG. Nevertheless, Norwegians are slow to find their way to the large number of foreign data bases.

Another factor that inhibits the use of data bases is the modern maze. The licensing process is moving slowly. As a result, one must choose between approved modems, which cost as much as \$1,800, and gray market modems, which cost no more than \$700. Not surprisingly, many people and firms are choosing the latter option.

Many Norwegian firms are keen to embrace desk-top publishing. There can be little doubt that the combination of the computer, graphics and the laser printer offers some nice services. Apple was early entering this field.

Having bought their desk-top computers, Norwegians now confront the problem of tying them together. As a result, the acronym LAN (local area network) has entered the vocabulary. A number of systems are competing, and the people making the decisions are not finding it easy.

Mikrodata 87 also showed that the IBM PC clone has invaded

Norway. Therese Gump, the sales manager for the THE computer, traveled from Chicago to help the local representative present the product. This is, however, by no means the only clone available in Norway, at prices well below those asked by IBM, Etcetera and other established producers.

In addition to the usual dilemmas regarding hardware and software, there is the language problem. Ivar M. Liset, editor of the computer journal DATATID, when asked what he considered to be the main problems regarding computers, replied: "Those three little letters."

He was referring to three Norwegian letters that do not exist in English. The first combines a and e. The second is an o with a slash through it. The third is an a with a small circle over it.

Before Norwegians can use any software from the United States or Britain, they must reprogram it to take these three letters into account. In addition, the Norwegian distributor must translate the manuals. As a result, foreign programs become available here about three months after they come on the market abroad.

Software programs also cost two to three times as much here as in the United States. When asked about costs, Mr. Liset replied, "Everything is more expensive in Norway."

In addition, practically nobody in Norway pays his own bills. Firms make most purchases, and they can use them as tax deductions. With the marginal tax rate running at 80 percent, the net cost to a firm is not all that great.

The high costs in Norway make even more remarkable the fact that Norsk Data, the crown jewel of Norwegian computing, has been able to compete on the international market. In 1986, it ran second only to IBM in Norway in income.

JOHN C. AUSLAND is a former U.S. Foreign Service officer who lives in Oslo. He is the author of "Nordic Security and the Great Powers" (Westview Press, Boulder, Colorado).



Fishermen cook dinner on a mountain stream in the 'home of the giants.'

Hiking in the Jotunheim

JOTUNHEIM — Norway's greatest secret is the Jotunheim, or "home of the giants," a stunning combination of alpine peaks, glaciers, waterfalls and lakes.

Norwegians like to keep the Jotunheim to themselves, and it is only by accident that a foreigner may learn of it, although it contains Norway's highest mountain, Galdhøpiggen.

The Norwegian fjords are among nature's wonders. A trip on a coastal steamer around the North Cape is both relaxing and filled with gorgeous scenery. Sailing along the Norwegian coast is a joy. Nevertheless, the Jotunheim is for many visitors the most beautiful part of Norway, and it is particularly prized by hikers.

August is the month in which Norwegians go to the mountains to hike. This is partly because the weather is likely to be good but also because during July they flee to the coast, to soak up as much sunshine as possible.

Tourists can travel to the Jotunheim from Oslo by train and bus, but motoring is best, if expensive.

There are several approaches to the Jotunheim. The drive north from Oslo through the Gudbrands Valley runs along several charming lakes and through Lillehammer, which is both a summer and winter resort. At Otta, the route turns west, leading to the Jotunheim from the north.

Shortly after Lom, the road south takes the tourist to Spiterstulen, a comfortable mountain hotel.

Spiterstulen offers a number of diversions: walks along the valleys, hikes up one of the mountains that surround it. A popular hiking goal is to get to the top of Galdhøpiggen by lunch and return to the hotel in time for dinner. Hikes on one of the glaciers also can be arranged, with a guide. From time to time, daring tourists who venture onto glaciers alone disappear into one of the crevices.

North of Spiterstulen is the Geiranger fjord, generally considered the finest in Norway. A ferry to the western end of the fjord, allows the motorist to wander south between the coast and the western side of the Jostedal Glacier. From Brakstad it is a short walk by an impressive waterfall to a dramatic face of the glacier.

If there is no time for the Geiranger fjord, the visitor can continue southwest from Lom to Kappanger on the Sognefjord. From there, the ferry crosses to Revsnes for the drive to Oslo.

A shorter trip to Jotunheim starts with a drive north from Oslo through Fagernes, ending at Lake Gjende, where the Mountain Touring Association has an inn.

The hotel here is a starting point for a hike through the mountains with a backpack, staying at various inns. A one-day trip can be made by taking the boat from Gjendesheim to Memurubu, and then hiking back over Besseggen ridge, which Ibsen made famous in "Peer Gynt."

The travel bureaus of the Norwegian Automobile Association and the Royal Norwegian Automobile Association are helpful in arranging trips. For hiking information, visit the office of the Norwegian Mountain Touring Association. It is near the National Theater and the Continental Hotel.

During July and the first part of August, it is wise to make hotel reservations, particularly in the mountains.

Finally, the tourist is advised to take clothing for all kinds of weather. It is not an accident that Norwegians jestingly refer to their summer as the "green winter." For hiking in the mountains, warm clothes and a light rain suit are recommended. But this should not be a discouragement, for summers in Norway usually provide warm days and cool nights.

John C. Ausland

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British Prime Minister Margaret Thatcher, left, and Gro Harlem Brundtland in a toast in Norway.

Opposition Is Split

Continued from page 9

keep their distance and treasure their old enmity in the central and eastern regions. It did not make matters easier when the Conservatives began to gain in the rural districts, eating away at the support of the Center Party.

The one factor that might drive the Center Party leaders into a more cooperative mood can be found in recent voter surveys. They show that Center Party voters have the Conservatives as their second preference and that they resent Labor's policies.

Accordingly, it would seem hardly tactical on the part of the Center Party to indirectly help a Labor government stay in office. And this fact is now being exploited to persuade the Center Party to become more cooperative.

The biggest stumbling block is over economic policy. Norway's economic situation changed almost overnight in the late fall of 1985, when oil prices began to drop. The country has a big deficit on its trade balance and this will continue for the foreseeable future. The deficit is serious enough for American evaluation groups to consider giving Norway a lower credit rating.

In one way, this is good news for the Conservatives, who have claimed that the Labor government is spending too much. But at the same time, it makes it more difficult for the Conservatives to sustain their claim that the economy needs substantial tax cuts.

There is endless bickering over a proposal to revise the country's complicated tax law. And without a common economic platform, at least some members of the Center Party feel that the former coalition simply does not

have a proper reason for kicking the Labor government out.

There is also the fact that the prime minister has proved herself to be a redoubtable political tactician. Once in a while, Labor will throw a morsel of a proposal to the Center Party to pry it loose from the negotiations with the Conservatives and the Christian People's Party.

Actually, she never tires of pointing out that there is a considerable difference between the Conservative and the Center Party platforms over policies for the rural districts, with the Center Party strongly in favor of preserving Norway's system of extensive agricultural subsidies.

Up until this month's party conference, some Conservatives were also troubled by the lackluster performance of their new leader, Mr. Presthus. For almost five years, he was a respected and even well-liked minister of finance, confident and suave with a quiet sense of humor.

As prime minister-in-waiting, he has appeared tense and worried. But at the end of his speech to the party conference, he was given a standing ovation in the best British Tory tradition, and the grumbling that the party had picked the wrong man ceased.

There is little doubt that Mr. Presthus would be a more than competent prime minister, in spite of his lack of experience in foreign affairs. But the longer he remains in opposition, the darker his political future will look if he still has not made it into office when the long summer days imperceptibly begin to grow shorter after June 21.

PER EGIL BECK is the editor of the weekend supplement of Aftenposten.

Dr. J. C. Ausland

Petroleum Policy

Oil Turbulence Subsides and Confidence Gains

By Michael Metcalfe

OSLO — After a stormy year in which volatile international oil prices, uncertain exploration plans and a government change-over have played havoc with its oil and financial policies, Norway is back on a calmer course.

Coming to terms with the abrupt reversal in its fortunes has not come easy to Norway's off-shore oil and gas industry. However, a painful period of readjustment to lower oil prices, production cutbacks and the scaling down of exploration is now giving way to a more upbeat phase, where guarded optimism is gaining the upper hand.

"The government wishes to see as high a tempo in oil exploration off northern Norway as is compatible with the interests of fisheries, other environmental considerations and the economy," said Arne Oeien, the oil and energy minister, recently.

Recent corporate results from Norway's largest oil majors, state-owned Statoil and publicly quoted Norsk Hydro, bear out this renewed optimism.

For example, after a bleak 1986, when its accounts dipped into the red for the first time since 1944, Norsk Hydro turned in an 18 percent rise in its first quarter 1987 net income to 413 million kroner (\$62 million). The group's oil and gas divisions fared well, registering an increase in operating income to almost 800 million kroner.

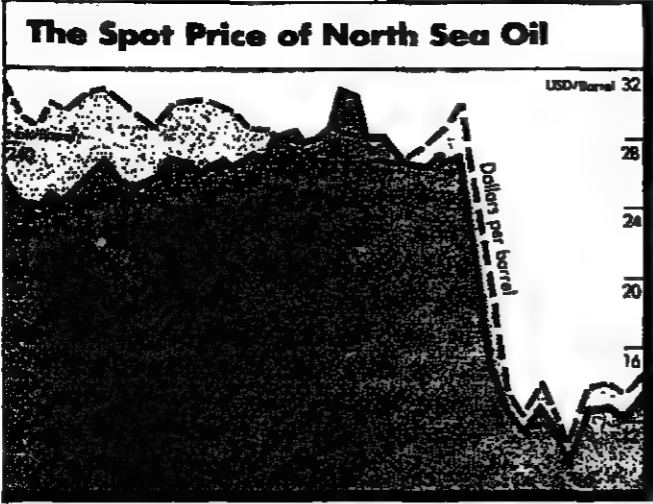
Moreover, no less than 18 oil majors applied for drilling rights in the new exploration areas in the Barents Sea on the Norwegian continental shelf, and the Oil Ministry was satisfied at the level of interest in this 11th round of concessions for offshore prospecting.

Statoil, Norsk Hydro and the privately owned Norwegian company Saga Petroleum, as well as international majors like BP, Elf, Esso, Shell, Mobil, Tenneco and Total, were among the applicants for concessions.

Contributing to the brighter outlook is the calmer trend in the international oil price. Stabilizing at higher levels around \$18 a bar-



Ekofisk drilling rig in the North Sea.



Source: Central Bureau of Statistics/OECD

rel, less price volatility makes it easier for both the Norwegian government and industry to undertake the arduous task of financial planning.

Recent estimates by the Finance Ministry show that export earnings and tax revenue from oil and gas activities in 1987 would rise to 66.9 billion kroner and 23.2 billion kroner, respectively, from 53.9 billion kroner and 17.9 billion kroner, assuming an oil price of \$20 a barrel compared with \$15 a barrel.

Because oil plays such an overriding role in the economy — it accounts for 19 percent of gross national product, 20 percent of the central government's income and almost 50 percent of total export earnings — the persistent dilemma of successive governments has always been how to reconcile buoyant production growth in the oil sector with a consistent pricing policy.

Not belonging to a cartel helped. By remaining outside the Organization of Petroleum Ex-

porting Countries, Norway, like Britain, managed to preserve a degree of independence in its production policy, preferring to leave it to market forces to dictate the price of crude oil.

This policy worked well when prices spiraled upward, swelling oil tax revenues and buttressing the government's budget. But, according to oil industry analysts in Oslo, the government was forced to change tack when the oil price tumbled.

After more than eight months of standing on the sidelines, the minority Labor government finally fell into line with OPEC's bid to prop up the oil price, when it announced in January a 7.5 percent cutback in planned North Sea oil production for a six-month period.

The reduction takes the form of curbing production growth by 30,000 barrels a day from Feb. 1. Daily production levels in January were running at a record 1.09 million barrels, compared with 1.05 million in December, and they were outstripping such significant OPEC producers as Kuwait, Libya and the United Arab Emirates.

Despite the cutback, Norway's oil output will, nevertheless, be higher than in 1986 because production from the mammoth reserves in the Statfjord field has risen and the new Gullfaks field has come on stream. The price of the reduction, in terms of oil held back, is estimated at about \$200 million.

Sinking output by 7.5 percent involves a reduction in the volume of oil exports of 8.5 percent, as oil used in domestic consumption was not part of the scaling down. The measure followed an initial 10 percent reduction in net oil exports that was announced in late 1986.

Mr. Oeien has stressed that the measure could be rescinded at short notice if OPEC failed to honor the agreement reached in December to stabilize prices at higher levels. He has also rejected suggestions that Norway might resort to introducing fixed oil prices.

In a recent report, the Oslo government estimated that production capacity in the Norwegian sector of the continental shelf will increase in the final

years of the decade, rising to about 90 million tons oil equivalent in 1989 from about 69 million tons oil equivalent in 1986.

Major developments this year include the Feb. 1 production cutback, the latest round of concessions for expanding exploration into the strategically vital Barents Sea region, the coming on stream of the Gullfaks field and the go-ahead for the Troll gas deal, which is the continental shelf's largest development project to date.

At the turn of the year, agreement was finally reached to sell more than 400 billion cubic meters (523 billion cubic yards) of gas from the Troll and Sleipner fields to buyers in West Germany, Belgium, France, Austria and the Netherlands. First deliveries from the estimated \$7.2 billion project are scheduled to begin in fall 1993, while the contract will run beyond 2020.

The largest quantities will be supplied to West Germany and France. Annual deliveries will be about 19 billion cubic meters, when top levels are reached around the turn of the century.

To meet the terms of the agree-

ment, Norway will develop two major gas fields, Troll and Sleipner East, and construct a new gas transportation system to Zeebrugge, Belgium.

On Jan. 29, the first crude oil cargo from the new Gullfaks field was loaded on a tanker bound for the Mongstad oil refining complex north of Bergen on Norway's west coast.

"A new milestone has been passed in the development of the Gullfaks field. The first platform is now on stream," said the Statoil president, Arve Johnsen.

Gullfaks is the first field owned entirely by Norwegian companies and the "A" platform is the first production unit in Norwegian waters that was built by a Norwegian operator, Statoil.

Production started seven months ahead of schedule. It signals Norway's determination not to let up in its pursuit of oil despite the whims of the international oil market.

MICHAEL METCALFE, a journalist based in Copenhagen, is a correspondent for Business International.

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Dilemma of 'Two Welfare States'

Continued from page 9

erment than through market competition.

Hence, the "welfare state for business" plays a decisive role not only in maintaining full employment but also as a basis for powerful interest groups. When faced with the increased social security outlays of today, any minister of finance has to assess the impact of transfers on productivity and try to counteract the power of the organized interests.

Expenditures for the present system of old age pensions will rise. First, there is an inherent expansion as more people with entitlements to higher employment-related pensions retire. For example, the rapid increase in female employment during the 1970s was not foreseen when the present system was put into effect. The second factor is purely demographic: More people grow old, old people live longer and a growing proportion of the retirees above 80 need the need for health services and care. This strains appropriations as well as personnel, of which there is already a considerable shortage.

These concurrent trends require more resources in the traditional welfare sector or a cut in the quality of services. A recommendation has been made to abolish supplementary pensions for groups with income above that of skilled workers, but so far no political party has supported this. A cut in pensions means a loss of votes, so radical changes in the present system are unlikely.

The quandaries have been aggravated by the fall in oil prices, which has hit the private sector as well as public revenue. In 1985, taxes from petroleum activities made up 20 percent of public income but this is expected to fall substantially, even close to zero, according to the most pessimistic scenario. At the same time, there is no political support for any major tax increase.

Therefore, the increasing demands on the pension system due to demographic changes must be financed by a more efficient non-oil-based industry and by reallocations within the public sector.

The present Labor government, as well as any future government, is faced with two major policy problems. The first is to retrain the system of economic transfers. In order to maintain and expand welfare services for all citizens, specific benefits won by a group or industry have to be reduced. The second task is to prevent unemployment while dismantling this "welfare state for business."

In an economy where almost 50 percent of gross national product comes from exports, full employment can only be secured if high inflation is avoided, which in turn requires a high degree of wage restraint. Any comprehensive wage moderation, however,

"social contract" between government and organizations in the labor market.

The wage policies of the 1970s were a successful attempt to raise the wages of low-income groups. In reaction to this, combined with a trend toward more segmented labor markets and a more fragmented organizational structure, wage settlements during the later years have been made in a more decentralized manner.

In the 1980s, a greater share of wage increases have come from plant-level bargaining. Hence, specialized occupational groups have improved their lot, inequalities have increased and so has relative deprivation. The National Federation of Trade Unions (LO) has lost its paramount position. From representing 85 per-

cent of all unionized employees 30 years ago, it finds itself in a position where rival federations have broken its monopoly.

LO unions competing for members with trade unions outside the labor movement have to do so by pursuing objectives that run counter to the traditional values of the labor movement, namely, greater equality. The effect of restraining wage claims may be a loss of members, but inflationary wage demands may mean a loss of jobs.

If no government succeeds in reducing economic subsidies and in implementing an effective wage restraint policy, the level of social welfare must decline. The political consequence will be the crumbling of the almost universal support for public welfare ser-

vices. Well-organized and politically powerful groups will safeguard their own social security interests through private, occupationally based arrangements rather than by a less generous public system.

Such a development is likely to erode universalism as the keystone of Norwegian social policy, reducing state responsibility and public support to provide for marginal groups without occupational welfare arrangements.

KLAARE HAGEN is a researcher at the Norwegian Trade Union Center for Social Research (FAFO) and **GUDMUND HERNES** is professor of sociology at the University of Bergen and director of research at FAFO.

Kværner of Norway

The Kværner group comprises a number of companies in Norway, Europe, Asia, Australia, the USA and South America. Areas of activity include:

- Mechanical engineering
- Oil
- Shipping
- Consultancy
- Trading
- Offshore fabrication and yards

With a 1986 turnover of NOK 5.5 billion, Kværner made a profit of NOK 270 million. The group employs some 8,600 people, including some 10 per cent working in companies outside Norway.

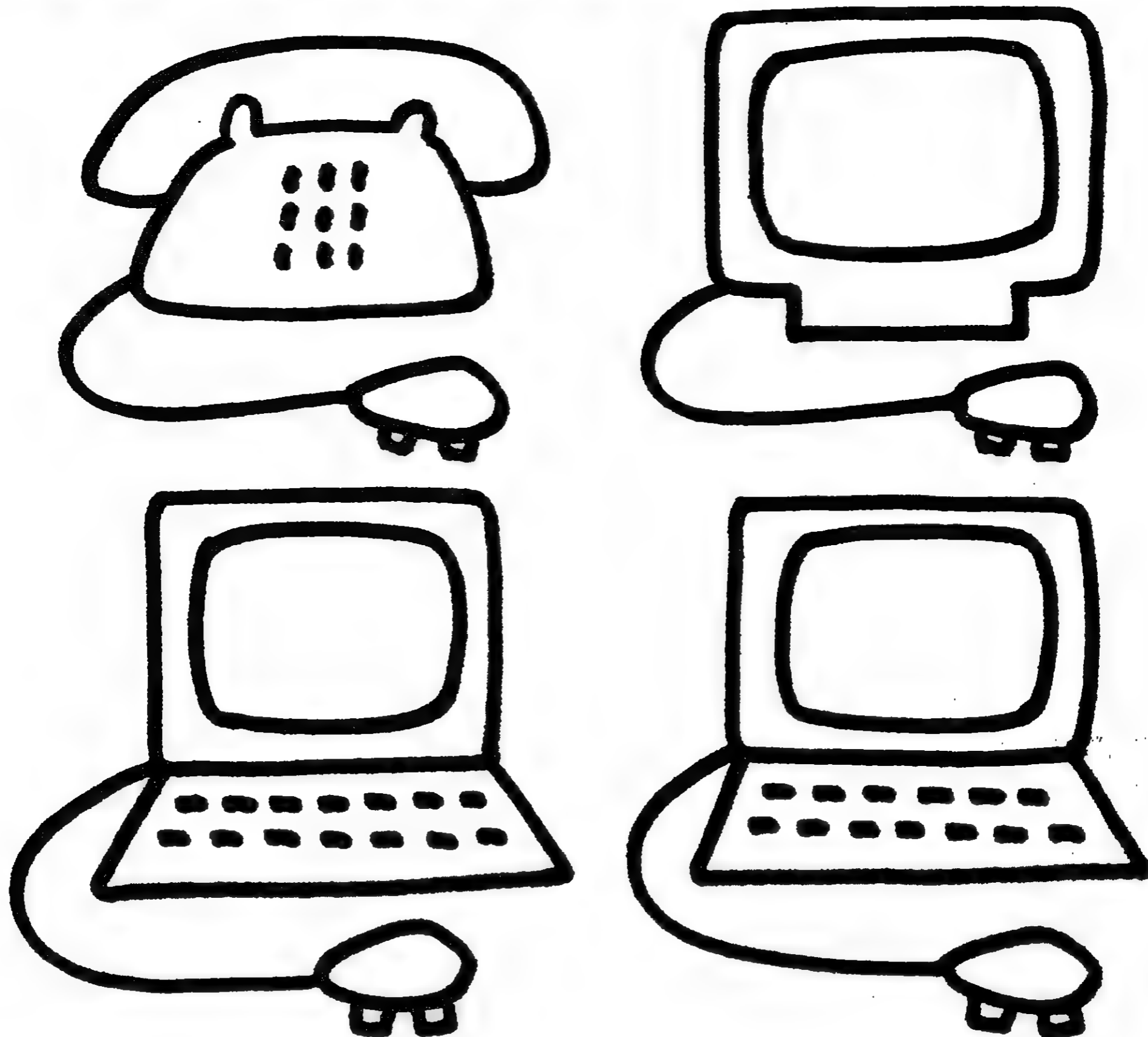
Kværner is associated with heavy mechanical engineering industry. Group companies are involved in such activities as the construction of large offshore installations, subsea production equipment for oil and gas, modules and equipment for offshore facilities, equipment for energy production - hydro, gas, wave and wind power - shipping, shipbuilding, engineering activities and trading operations.

Companies in the Kværner group are organized through the holding company Kværner Industrier A/S, which is listed on the Oslo Stock Exchange.

For further details, contact Kværner Industrier A/S, P.O. Box 100 Skøyen, N-0212 Oslo 2, Norway Telephone: + 47 2 50 25 50.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	157.90	157.00	157.00	-0.90
AT&T	24.00	23.75	23.75	-0.25
General Electric	28.00	27.50	27.50	-0.50
Johnson & Johnson	25.00	24.75	24.75	-0.25
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Wendy's	19.00	18.75	18.75	-0.25
Domino's	18.00	17.75	17.75	-0.25

Market Sales				
NYSE 300 volume	17,472,000			
NYSE adv. volume	20,582,000			
AMEX 300 volume	11,290,000			
AMEX adv. volume	13,777,000			
Prev. OTC 4 p.m. volume	147,900,000			

NYSE Index				
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Utilities	157.90	157.00	157.00	-0.90
Finance	157.90	157.00	157.00	-0.90

NYSE 11 a.m.				
Open	157.90	High	157.90	Low
Close	157.00	Prev.	157.90	Chg.
Adv.	157.90	Decl.	157.00	Unch.
Decl.	157.00	Unch.	157.00	New
Unch.	157.00	New	157.00	High
New	157.00	High	157.00	Low

AMEX Diary				
Class	Prev.	Close	Prev.	Close
Adv.	157.90	157.00	157.90	157.00
Decl.	157.00	157.00	157.00	157.00
Unch.	157.00	157.00	157.00	157.00
New	157.00	157.00	157.00	157.00
High	157.00	157.00	157.00	157.00
Low	157.00	157.00	157.00	157.00

NASDAQ Index				
High	157.90	Low	157.00	Chg.
Composite	157.90	157.00	157.00	-0.90
Industries	157.90	157.00	157.00	-0.90
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NYSE Recouping Early Losses

NEW YORK — Prices on the New York Stock Exchange were recovering in late trading Wednesday after earlier losses that followed Citicorp's decision to add \$3 billion to its reserves against bad foreign loans.

At 3 P.M., the Dow Jones average of 30 industrial shares, down more than 15 points at midmorning, was up 1.53 to 2,222.31. Losing issues were outnumbering gainers by about 2-1.

Volume came to 171,000 million shares, with an hour of trading remaining.

After the close on Tuesday, Citicorp announced the increase in its loan-loss reserves, saying it would result in a loss of \$2.5 billion for the second quarter.

The market's drop late in Tuesday's session was attributed to rumors and speculation about what the big bank holding company was about to do.

The news served to focus fresh attention on the international debt situation and the potential problems it poses for the banking system.

However, several Wall Street analysts applauded Citicorp's action, arguing that it was a prudent move that effectively reduced the company's exposure to risk of default on the loans in question.

At 3 P.M., Citicorp shares, which fell 1 1/2 Tuesday, had rebounded 3 to 5 1/2, after a delayed opening on Wednesday.

Among other leading money-center bank issues, J.P. Morgan rose 1/2 to 42 1/2, and Chase Manhattan 1/2 to 39 1/2, while Manufacturers Hanover was down 1 1/2 to 39 1/2.

Technical analysts also said traders appeared to step up their buying when the Dow Jones

To Our Readers

Because of transmission problems, closing NYSE and AMEX prices were not available in this edition. We regret the inconvenience to readers.

Industrial average approached 2,200, which some regard as a "support level" for the market. The NYSE's composite index of all its listed common stocks dropped 0.12 to 157.81. On the American Stock Exchange, the market value index was down 2.60 at 322.47.

Among blue chips, AT&T, USX and General Motors were lower. IBM, American Express, General Electric, Minnesota Mining & Manufacturing and Eastman Kodak were posting gains.

Harcourt Brace Jovanovich was off a bit. It has risen 17 1/2 since receiving and rejecting a \$44-a-share takeover offer from British Printing on Monday.

In the technology group, Hewlett-Packard, Cray Research and Prime Computer were gaining.

Alexander & Alexander was up 2 1/2 to 25 1/2 on news that Fireman's Fund holds a 10.9 percent stake in the insurer.

Stocks of Japanese multinationals were gainers. Matsushita Electric, Hitachi and Honda were climbing.

On the American Stock Exchange, prices were lower in active trading.

Wang Laboratories class B was the second-most active Amex issue, adding 1/2 to 17. Amahl followed, falling 1/2 to 34 1/2.

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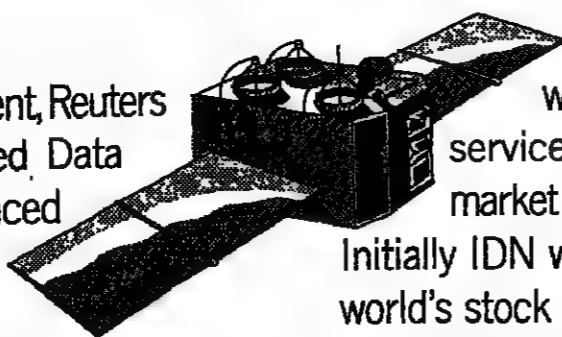
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Lufthansa Net Rises 2%; Operations Post a Loss

FRANKFURT — Lufthansa AG said Wednesday that parent company earnings rose 2.2 percent to 64.4 million Deutsche marks (\$36 million at current exchange rates) in 1986, although it posted a 66.6 million DM loss on operations.

The operations loss followed a profit of 152 million the previous year. Overall, parent company profit in 1986 was 63 million DM.

Heinz Rohrau, managing board chairman of the West German national airline, attributed the operations loss almost exclusively to the weakening of the dollar.

Revenue for the parent company dipped 4.3 percent to 9.38 billion DM from 9.80 billion.

So far this year, the decline in the dollar has reduced revenue by about 12 percent from the comparable 1986 period, Mr. Rohrau said. He said he was convinced the company would post a profit for the year.

Günther Becker, a member of the managing board, said that the airline lost 252 million DM in 1986 on flight operations, compared with a 33.9 million DM loss in 1985.

But he said that 185 million DM in other operating earnings last year compensated partly for the loss.

Income from flying operations fell by 4 percent to 8.37 billion DM while expenditures declined 1.7 percent to 8.62 billion.

Results on the North Atlantic route last year were clearly hurt by the weaker U.S. currency, the company said. It also cited the reluctance of American tourists to travel because of fear over terrorism and the Chernobyl nuclear disaster.

Despite this, Lufthansa said that passenger volume on the route rose by 14.4 percent while passenger volume fell an average 10.9 percent for North American airlines.

Passenger revenue as a ratio to distance traveled rose 8.5 percent, while freight traffic climbed 17.1 percent. Group earnings rose 6 percent to 70.61 million DM from 66.38 million in 1985.

Lufthansa said it would be forced to consolidate routes in several regions this year, but it gave no details. It said that several destinations would also be added, however, including five weekly flights from Frankfurt to Washington.

Volvo said its first-quarter sales were 1.2 billion kronor lower than they would have been had the dollar been at its first-quarter level of 1986.

The company's chairman, Pehr G. Gyllenhammar, said a major problem was high sales in the weak dollar and high component purchases in strong Deutsche marks.

Officials declined to forecast earnings for the year.

Two more executives have left Merrill Lynch & Co. following the staggering trading losses announced last month.

The New York Times reports. The executives were the supervisors of Howard A. Rubin, the recently dismissed executive whose unauthorized trading contributed to a \$275 million loss.

Robert P. Andres, president of Merrill Lynch Mortgage Capital Inc., and D. Gregory Herschell, manager of mortgage-backed securities trading, both resigned Tuesday under pressure. Company officials said they expected no further resignations.

Separately, Merrill Lynch confirmed that Eugene H. Rothberg, 57, vice president and treasurer of the firm, had been fired.

Mr. Rothberg was one of six executive vice presidents. The bank said Mr. Rothberg was leaving despite requests from the bank president, Barber B. Conable Jr., that he stay.

Mr. Rothberg will supervise worldwide sales and trading. He and a Merrill spokesman both said that their initial talks took place even before Merrill became aware of the large losses in its portfolio.

Jerome P. Kenney, president of Merrill's Capital Markets Group, and his subordinate, Brian M. Barefoot, head of all securities trading, have been relieved of their trading responsibilities as a result of the losses.

Ford Motor Co. has promoted John J. Talack to vice president of design. He moves up from chief designer for Ford's North American operations, where he was credited with replacing the box-shaped look of Ford's cars with the rounded lines of its new aerodynamic design, as in the Taurus and Sable cars. He will succeed Donald F. Kopka, 60, who is retiring, Mr. Talack said.

General Electric Co. (GE) said Wednesday that its share price dropped sharply Wednesday after Hanson's denial, ending the day 12 pence lower at £22.8.

The GE executive said that his company was actively seeking acquisitions of its own, particularly in U.S. aerospace concerns. He said that GE had submitted a closed bid for the aviation unit of Lear Siegler Inc., the U.S.-based electronics and arms group recently acquired by the investment concern Forstmann Little & Co.

Forstmann announced earlier this year that Lear's aviation group, which is expected to post \$700 million in sales for the fiscal year ending June 30, was seeking a buyer.

The GE official said he believed that a handful of U.S. companies and several other British companies had submitted bids for the unit. Morgan Stanley is serving as the broker for the sale.

He said that GE was likely to submit a second, more competitive bid. He said he doubted that U.S. restrictions on foreign ownership of defense companies would eliminate GE from the running, but suggested that GE, or any other foreign firm, could not be considered the front-runner.

The official asserted that GE was anxious to obtain a far higher return on its present cash surplus of £1.6 billion, which he said has yielded about 10 percent annually.

GE's performance is expected to improve dramatically in fiscal 1988, the official said, with domestic and foreign orders accelerating in the group's power-generation division and in GE Avionics.

He said that lower profit for fiscal 1987 would reflect substantial write-offs in GE's Marconi radar division in addition to a £21 million write-off, previously announced, on the group's investment in Nimrod airborne-early-warning radar at its GE Avionics subsidiary.

Pre-tax earnings also were reduced by about £8 million by a three-month strike at GE's chief diesel-engine plant. In addition, the official said, weak earnings were posted by the group's high-voltage electronic switching gear division.

Group sales were largely unchanged, he said, at between £5.2 and £5.4 billion.

Volvo Says Profit Fell 18%, Cites Weaker Dollar

INTERNATIONAL HERALD TRIBUNE

GOTEBORG, Sweden — Volvo AB, the automotive, energy and food group, said Wednesday that pretax earnings in the first quarter of 1987 dropped 18 percent, largely because of the weaker dollar.

Earnings were 2.01 billion kronor (\$322.92 million), down from 2.45 billion kronor a year earlier, although sales rose 5 percent, to 21.64 billion kronor from 20.66 billion. Car sales were down slightly to 9.3 billion kronor from 9.39 billion.

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Ford Guarantees Scorpio's Resale Value

By John Holusha
New York Times Service

DETROIT — In an effort to woo buyers of high-priced European cars, Ford Motor Co. is introducing a new marketing tactic with the debut of its Merkur Scorpio model: a guarantee on resale value.

Ford is guaranteeing that the car, which officially goes on sale Thursday, will not depreciate at a faster rate than the Mercedes-Benz 190. If it does, Ford says, it will make up the difference.

Scorpio is the second model to be marketed by Ford under the Merkur brand since it was established

in 1984. Like the first model, the XR4Ti, the Scorpio is manufactured by Ford's subsidiary in West Germany and is sold through Lincoln-Mercury dealers.

One of the characteristics of such high-priced European cars as Mercedes-Benz and BMW is their high resale value. According to figures from the importer, 1984 Mercedes-Benz 190E models are selling at about 75 percent of their original price, compared with 65 percent for a typical 1984 American model.

In linking the value of the four-door Scorpio to the Mercedes-Benz 190 model, Ford's marketing pro-

gram is trying to associate the relatively unknown Merkur with the prestigious German automaker.

When the original buyer of a Scorpio trades it in, the dealer will consult the used-car prices published by the National Automobile Dealers Association. If the Mercedes has a higher retained value, Ford will make up the difference.

Under the terms of the plan, the car must be traded within two to four years of its purchase and any reimbursed amount would apply only to the purchase of a new Lincoln, Mercury or Merkur.

BUSINESS PEOPLE

2 More Executives Leave In Merrill Lynch Shake-Up

By Arthur Higbee
International Herald Tribune

Two more executives have left Merrill Lynch & Co. following the staggering trading losses announced last month.

The New York Times reports. The executives were the supervisors of Howard A. Rubin, the recently dismissed executive whose unauthorized trading contributed to a \$275 million loss.

Robert P. Andres, president of Merrill Lynch Mortgage Capital Inc., and D. Gregory Herschell, manager of mortgage-backed securities trading, both resigned Tuesday under pressure. Company officials said they expected no further resignations.

Separately, Merrill Lynch confirmed that Eugene H. Rothberg, 57, vice president and treasurer of the firm, had been fired.

Mr. Rothberg was one of six executive vice presidents. The bank said Mr. Rothberg was leaving despite requests from the bank president, Barber B. Conable Jr., that he stay.

Mr. Rothberg will supervise worldwide sales and trading. He and a Merrill spokesman both said that their initial talks took place even before Merrill became aware of the large losses in its portfolio.

Jerome P. Kenney, president of Merrill's Capital Markets Group, and his subordinate, Brian M. Barefoot, head of all securities trading, have been relieved of their trading responsibilities as a result of the losses.

Ford Motor Co. has promoted John J. Talack to vice president of design. He moves up from chief designer for Ford's North American operations, where he was credited with replacing the box-shaped look of Ford's cars with the rounded lines of its new aerodynamic design, as in the Taurus and Sable cars. He will succeed Donald F. Kopka, 60, who is retiring, Mr. Talack said.

General Electric Co. (GE) said Wednesday that its share price dropped sharply Wednesday after Hanson's denial, ending the day 12 pence lower at £22.8.

The GE executive said that his company was actively seeking acquisitions of its own, particularly in U.S. aerospace concerns. He said that GE had submitted a closed bid for the aviation unit of Lear Siegler Inc., the U.S.-based electronics and arms group recently acquired by the investment concern Forstmann Little & Co.

Forstmann announced earlier this year that Lear's aviation group, which is expected to post \$700 million in sales for the fiscal year ending June 30, was seeking a buyer.

The GE official said he believed that a handful of U.S. companies and several other British companies had submitted bids for the unit. Morgan Stanley is serving as the broker for the sale.

He said that GE was likely to submit a second, more competitive bid. He said he doubted that U.S. restrictions on foreign ownership of defense companies would eliminate GE from the running, but suggested that GE, or any other foreign firm, could not be considered the front-runner.

The official asserted that GE was anxious to obtain a far higher return on its present cash surplus of £1.6 billion, which he said has yielded about 10 percent annually.

GE's performance is expected to improve dramatically in fiscal 1988, the official said, with domestic and foreign orders accelerating in the group's power-generation division and in GE Avionics.

He said that lower profit for fiscal 1987 would reflect substantial write-offs in GE's Marconi radar division in addition to a £21 million write-off, previously announced, on the group's investment in Nimrod airborne-early-warning radar at its GE Avionics subsidiary.

Pre-tax earnings also were reduced by about £8 million by a three-month strike at GE's chief diesel-engine plant. In addition, the official said, weak earnings were posted by the group's high-voltage electronic switching gear division.

Group sales were largely unchanged, he said, at between £5.2 and £5.4 billion.

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Tallest Building In Hong Kong Has Bad Vibes

Agence France-Press

HONG KONG — The Bank of China building, which will be Hong Kong's tallest structure when completed, is out of harmony with its surroundings and could bring misfortune, according to a feng shui expert quoted Wednesday.

Sung Siu-kyong studied the building, designed by the Chinese-born American architect I. M. Pei, and said it resembled the pyramids of Egypt and thus was inauspicious, the South China Morning Post reported.

Feng shui, meaning wind and water, is the traditional Chinese art of studying the harmony of an object in its relationship to natural elements.

The 73-story building, on the outskirts of Hong Kong's financial hub, the Central District, will be a prism-like skyscraper consisting of four triangular glass and metal shafts emerging from a granite base. The building, Bank of China's Hong Kong headquarters, is to be completed in 1988.

Charles Schwab Ponders Initial Public Offering

Reuters

SAN FRANCISCO — Charles Schwab Corp., parent of the largest U.S. discount brokerage firm, Charles Schwab & Co., said it is considering an initial public offering of its common stock.

It did not specify the size or timing of any offering. The subsidiary, sold by BankAmerica Corp. in February, posted earnings of about \$32 million in 1986 on sales of about \$308 million.

Italy Sets Back ENI-Montedison Merger Talks

International Herald Tribune

ROME — Prospects for an early and comprehensive restructuring of Italy's chemical industry were dealt a blow Wednesday by Ciriaco De Sica, the minister for state industries.

Citing the "strategic" importance of maintaining a strong government presence in the industry, Mr. De Sica stated that "a withdrawal of ENI from chemicals is inconceivable."

Eni Nazionale Idrocarburi, or ENI, is the state energy and chemical holding company. It has been talking with Montedison S.p.A., the Italian chemical company, on merging chemical operations.

A merger would have created a company with combined annual revenues of about 16 trillion lire (about \$12 billion), making it the world's sixth-largest in sales, following Imperial Chemical Industries PLC of Britain and ahead of Ciba Geigy AG of Switzerland.

De Benedetti Confirms He Is Subject of Probe

Reuters

ROME — The chairman of Olivetti SpA, Carlo De Benedetti, confirmed Wednesday that he had received notice from magistrates that his role during a brief period as vice chairman of Banco Ambrosiano was under investigation.

Banco Ambrosiano collapsed in August 1982.

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Waters	24	28	32	36	40	44	48	52	56	60	64	68	72	76	80	84	88	92	96	100
Medium	24	28	32	36	40	44	48	52	56	60	64	68	72	76	80	84	88	92	96	100
Waters	24	28	32	36	40	44	48	52	56	60	64	68	72	76	80	84	88	92	96	100

CURRENCY MARKETS

Dollar Eases After Citicorp Move

LONDON — The dollar closed marginally lower Wednesday in Europe, with dealers perplexed over the likely impact on foreign exchange markets of Citicorp's allocation of \$3 billion to its loan-loss reserves.

But traders also cited caution over reported central bank intervention to support the dollar.

The dollar fell briefly below 1.77 Deutsche marks in early trading, but the market lacked fresh incentives to push it down further at a time when central banks are watching the market closely, one U.S. bank dealer said.

The Bank of Japan was believed to have purchased dollars for marks in the Tokyo market earlier Wednesday, dealers noted.

The dollar later picked up to trade within a narrow range for the rest of the day, reflecting the prevailing wariness.

In London, the dollar fell to 1.7740 DM from 1.7775 at Tuesday's close, to 139.60 yen from 140.05, to 1.4550 Swiss francs from 1.4585 and to 5.9295 French francs from 5.9475.

The British pound also rose against the dollar, to \$1.6835 from \$1.6830. However, it eased against other currencies on rumors that a

London Dollar Rates

Currency	Rate	Change
Deutsche mark	1.7740	-0.0035
French franc	5.9295	-0.0180
Japanese yen	139.60	-0.45
Swiss franc	1.4550	-0.0035
British pound	1.6835	+0.0005

Source: Reuters

new opinion poll on Thursday would show a narrowing of the Conservative Party's lead ahead of the June 11 election. For example, the pound dipped to 2.9847 DM from 2.9915.

Citicorp's decision Tuesday has been largely built into current exchange rates, one dealer said, but the market is still uneasy about U.S. banks' exposure to doubtful loans.

Many dealers said that Citicorp's debt move could weaken the dollar by delaying a widely expected rise in the U.S. discount rate, thus making the U.S. currency less attractive for investment purposes.

In this scenario, dealers believe that although the U.S. Federal Reserve wants to support the currency and limit inflation, it would be unwilling to raise its 5.5 percent rate for fear of making it more difficult for developing countries to service their debts.

"This affair just adds to the general bearish sentiment toward the dollar," one dealer commented. "That's why there was no aggressive selling, but it will have a long-lasting influence."

But the feeling was far from universal.

The move might actually benefit the dollar by spurring a so-called "flight to quality," in which investors often bid for dollars so they can buy U.S. Treasury securities, another trader commented.

In New York, the dollar was slightly higher in slow but nervous morning trading, with many market participants reluctant to take large positions for fear of central bank intervention.

Some dealers said that the Fed was thought to have bought a small amount of dollars for yen in morning trading, helping to push the U.S. currency to 139.725 yen from 139.525 at Tuesday's close. The dollar also rose to 1.7762 DM from 1.7705.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.7697 DM, down from 1.7827 on Tuesday, and in Paris at 5.9220 French francs, down from 5.9570.

It closed in Zurich at 1.4485 Swiss francs, down from 1.4583.

Japan to Relax Overseas Futures Ban on Friday

The Associated Press

TOKYO — A ban on overseas trading of financial futures and options will be officially lifted Friday for some Japanese institutions, a Finance Ministry official said Wednesday.

The official asked not to be identified. The Finance Ministry decided in April to allow major financial institutions such as banks, insurance companies, brokerage houses and investment trusts to participate in financial futures trading abroad when the ban is partially lifted this month.

Such institutions have been prevented from trading directly in overseas financial futures markets except through their foreign-based subsidiaries.

Lifting the ban only for a limited number of leading institutions reflects the Finance Ministry's cautious stance in slowly liberalizing such trading.

The special money trusts used by corporate clients to invest in the securities and money markets are still excluded from direct participation.

Gold Hits 4½-Year High on Citicorp Action, Then Eases

LONDON — Worries about the developing country debt problem and the health of the banking system propelled the gold price about \$13 higher at one point in trading Wednesday from Tuesday's finish, to hit its highest level since early 1983.

Prices later eased, but the market remained jittery.

Gold ended the day at \$475.75 an ounce, \$6 up on Tuesday's close of \$469.75 but off the earlier high of \$482.50, dealers said.

The sharp rise followed Tuesday's move by Citicorp, the largest

U.S. bank group, to assign \$3 billion to its loan-loss reserves, in what some analysts said was a recognition that much of its loans to developing countries may not be repaid. The dollar also slipped after the news, and share and bond prices tumbled across the globe.

Tokyo's stock market took the second biggest one-day nosedive in its history. The Nikkei average closed 658.28 points down at 23,419.60.

"Japanese banks also lend much money to Latin American countries," said Toranobu Sugai, vice president for Japanese equity trad-

ing at Shearson Lehman Brothers' Tokyo branch.

Later, however, dealers in Europe grew somewhat less nervous. The dollar steadied and gold — a safe haven for investors in time of stress in the global economy — eased back to a London morning setting at \$479.95. Still, that was the highest London fixing since February, 1983.

Some profit-taking and selling from the Middle East and Switzerland then pushed prices lower in light trading. Gold fell further after New York markets opened lower.

After the Citicorp action, financial markets worried that other banks would have to take similar action, reducing their earnings.

But Franz Luetolf, general manager of Swiss Bank Corp., said in Zurich that the Citicorp move was an important step in handling the debt crisis.

Mr. Luetolf, who coordinates his bank's debt strategy, said, "I welcome this step. It's absolutely right. We banks have to build up reserves. People will very quickly realize that the increase in reserves will have a stabilizing effect."

YEN: As Japanese Sourcing Turns Costly, U.S. Firms Try to Hedge Their Bets

(Continued from first finance page)

two years ago now fetching only around 140 yen, the value of such supply agreements to the Japanese has plunged by 46 percent.

On the other hand, if the contract called for the Japanese goods to be paid in yen, it is the U.S. buyer who is feeling the pain. The dollar's decline has meant that it takes \$1.85 to buy what used to cost \$1.

If the Japanese had passed on this cost, U.S. companies and consumers would be paying nearly \$60 billion more a year for Japanese imports. But, eager to maintain their market shares in the United States, many Japanese companies have been reluctant to push for price increases.

"I estimate that the Japanese have absorbed three-fourths of the hit," said Stephen Marris, an economist at the Institute for International Economics in Washington.

But the Japanese appear to be reaching the limit they can absorb. U.S. companies report that Japanese suppliers are much more aggressively seeking both price increases and adjustment provisions in contracts to protect them from a further rise in the value of the yen.

"I suspect that nearly all contracts in the past year or so have escalator or adjustment clauses," said Robert J. Bretz, head of the National Association of Purchasing Agents and director of corporate purchasing at Finney Bowes Inc., the mailing equipment company.

Price increases may be bearable if the item in question accounts for a small part of a product's total cost. It can be a much different case, though, if the item is a major component or an entire product.

Briggs & Stratton Corp., of Watertown, Wisconsin, watched its profit margin shrink and then disappear on a lawn mower it makes that is powered by a two-cycle engine imported from Komatsu Zensho Co. Unfortunately for Briggs, the contract was priced in yen.

Briggs said it expected to renew the contract on more favorable terms. In the past two years, agreements calling for both parties to share the impact of the currency swings have been common. Many companies also have turned to such financial

instruments as currency futures and options that operate as an insurance policy against major losses from changes in the exchange rate. But such financial instruments offer only limited relief. It is generally too expensive to buy contracts that last more than three to six months.

Meanwhile, the yen has reached such heights that even some of the U.S. companies that had currency protection said that they can no

longer afford their agreements to outsource from Japan. One such company is Cincinnati Milacron, whose contract with Hitachi Seiki Co. for small lathe was negotiated when the dollar was worth 240 yen.

The contract, which was priced in yen, called for Milacron to absorb the first 4.2 percent of any dollar decline and for both companies to split the cost of the next 13 percent, to 200 yen.

"When it got to 200, we sat down with them and said we needed other arrangements," Mr. Shively of Milacron said. "They delayed the agreed delivery schedule. They talked about alternative solutions, such as sourcing the mechanical parts in Korea or Taiwan, but nothing happened. Finally, we had

to bite the bullet and take the last shipments."

Purchasing executives and consultants emphasize that there are plenty of reasons for U.S. companies to avoid severing relationships with Japanese suppliers, despite the currency swing.

Some, like the purchasing manager of a California semiconductor company who declined to be identified, said that they have little choice.

"We have very complex stamping dies at one vendor's site that would not be easy to move," he said. "And often the Japanese have added proprietary engineering to improve our machines. Like all the other semiconductor firms, we are in a box."

American purchasing executives also point out that switching from one supplier to another can take time and money. It often involves installing equipment, labor negotiations and product testing.

"Japan is clearly not the place to source today, but it's not so clear where you should go," said Professor James Womack, director of the Massachusetts Institute of Technology's International Motor Vehicle Project.

Modern manufacturing strategies are making companies increasingly reluctant to abandon dependable suppliers. Even companies once famous for their fierce independence, such as Kodak and International Business Machines Corp., now preach the virtues of forging alliances with suppliers.

Citicorp Loan Loss Reserve Clouds Prospects on Debt Crisis

WASHINGTON — Citicorp's decision to put aside \$3 billion to protect itself against loan losses has taken the Third World debt crisis into uncharted territory.

Citicorp's action is the first concrete step by a U.S. bank toward recognition that the billions of dollars owed by the developing nations may not be repaid.

But if other U.S. banks follow Citicorp, they could strengthen their hand in negotiations to stretch out repayments of Third World debt.

"It means a bank can say to a debtor: 'If you don't talk to us, we'll just sell your debt and walk away and never lend you another penny,'" said William Vincent, a banking analyst at Salomon Brothers International in London.

But one senior monetary official in Washington, who asked not to be identified, was less optimistic.

"Far from increasing their bargaining power, it means the banks are saying to the debtors: 'You haven't paid me and now I'm taking the hit,'" he said.

If other banks followed Citicorp, "that means they won't be lending more money, and that could seriously strain political stability" in debtor countries.

In Rio de Janeiro, Brazil's finance minister, Luis Carlos Bresser Pereira, said Wednesday that debt talks between Brazil, the developing world's largest debtor, and foreign banks would not be affected by Citicorp's move.

He said that a local Citicorp representative had made it clear that the company "continued to be ready to collaborate with Brazil, including through the provision of new resources when the debt is renegotiated."

In February, Brazil suspended interest payments on \$68 billion of debt it owes to foreign commercial banks in an attempt to preserve dwindling reserves.

Citicorp is owed about \$4.6 billion by Brazil, the Third World's biggest debtor, \$2.8 billion by Mexico, \$1.4 billion by Argentina and \$1 billion by Venezuela.

In Washington, a U.S. official said the Citicorp decision could add substantial momentum

to Washington's effort to get U.S. banks to develop alternatives to outright cash loans to debtors.

The plan, known as the "menu of options approach," calls on banks to consider swapping debt for shares in debtor country corporations and to respond to other innovative suggestions on exchanging debt for investment instruments.

Both Argentina and the Philippines recently made proposals, eventually accepted, that enable banks to own relatively small amounts of a company to retire that debt.

Reagan administration strategists developed the "menu" plan last year when it became clear that banks would come up with few new loans to major debtors in 1986.

Treasury Secretary James A. Baker 3d unveiled the menu approach in April, stressing it was up to the banks to take the lead.

An official of the Federal Reserve, the U.S. central bank, was encouraged that Citicorp had underlined continued support for U.S. efforts to control the Third World debt crisis.

Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.

See The Associated Press

12 Month High Low Stock Div. Yld. Sales in '86 High Low 2 P.M. Ctr. Net

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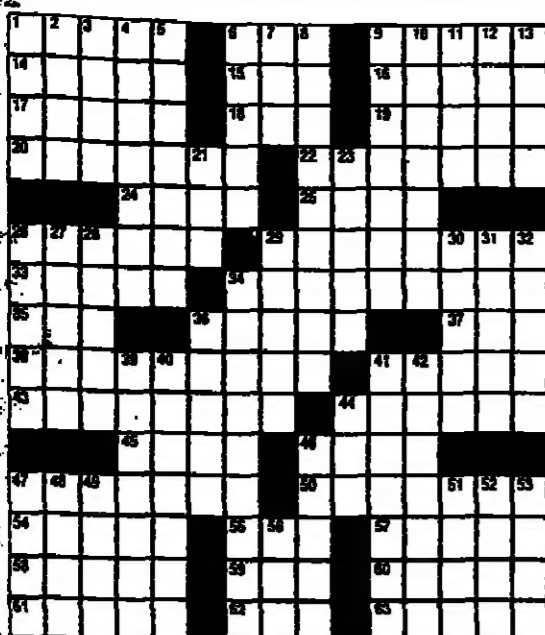
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ACROSS

1 Demesne
6 Purse
9 Coll. houses
14 Run off to wed
15 Japanese woman diver
16 Lumberjacks' contest
17 Hock and sack
18 A busy
19 In any way
20 Maggie's activity
22 Walked up
24 "Death"
25 Grief
26 Thirty, in
29 Veto
33 Some are controlled
34 Bank client
35 Wood sorrel
36 Causes of harm
37 Ordinance
38 Excels
41 Holy utensil
43 Makes believe
44 Welly's "The Heart"
45 Sister in a Chekhov play

DOWN

1 British royal
2 Vet
3 Reprimand to
4 Producing an effect
5 Emulates Sam Adams
6 Suspects
7 Big bird
8 Salon
9 Artist's activity
10 Round building
11 Opposite of apterous
12 Kind of vision
13 Auctioneer's cry
14 Lorna Ridd, — Doone
15 Rialto
16 March along
17 What some experiences do
18 Akin on mother's side
19 Vocal qualities
20 Gave the glad eye
21 Braid
22 Less used
23 Small, sweet oranges
24 Spree
25 Temporary
26 Aides
27 Job for some clerks
28 Sluggishness
29 Pandowdy
30 Emulate Rice or Oates
31 Type of party
32 Hawaiian city
33 Awa of
34 Has witties
35 Askew
36 Actress Daly
37 Fitting

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DENNIS THE MENACE



ALL I CAN FIND IS INSTANT COCOA. DON'T WE HAVE ANYTHING QUICKER?

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

They say he makes a good living off scrounging.

NIFFYN

CAPNI

PELSOG

BANACA

Now arrange the circled letters to form the words, as suggested by the above cartoon.

Print answer here: "O O O O"

(Answers tomorrow)

Yesterday's Jumble: ONION SNOWY VALUED INVENT

Answer: When the white player disturbed his neighbors late at night, he was arrested for this — A "VIOLATION"

WEATHER

EUROPE		ASIA		HIGH		LOW	
Amsterdam	11	12	13	14	15	16	17
London	11	12	13	14	15	16	17
Paris	11	12	13	14	15	16	17
Rome	11	12	13	14	15	16	17
Stockholm	11	12	13	14	15	16	17
Vienna	11	12	13	14	15	16	17
Zurich	11	12	13	14	15	16	17
Amsterdam	11	12	13	14	15	16	17
London	11	12	13	14	15	16	17
Paris	11	12	13	14	15	16	17
Rome	11	12	13	14	15	16	17
Stockholm	11	12	13	14	15	16	17
Vienna	11	12	13	14	15	16	17
Zurich	11	12	13	14	15	16	17

PEANUTS



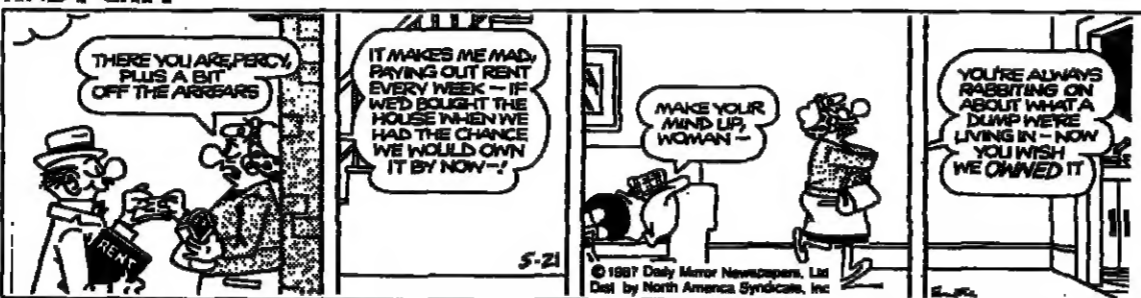
BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



World Stock Markets

Via Agence France Presse Closing prices in local currencies, May 20.

Amsterdam		London		Paris		Frankfurt		Zurich	
Amst. 100	100.00	100	100.00	100	100.00	100	100.00	100	100.00
Amst. 200	200.00	200	200.00	200	200.00	200	200.00	200	200.00
Amst. 300	300.00	300	300.00	300	300.00	300	300.00	300	300.00
Amst. 400	400.00	400	400.00	400	400.00	400	400.00	400	400.00
Amst. 500	500.00	500	500.00	500	500.00	500	500.00	500	500.00
Amst. 600	600.00	600	600.00	600	600.00	600	600.00	600	600.00
Amst. 700	700.00	700	700.00	700	700.00	700	700.00	700	700.00
Amst. 800	800.00	800	800.00	800	800.00	800	800.00	800	800.00
Amst. 900	900.00	900	900.00	900	900.00	900	900.00	900	900.00
Amst. 1000	1000.00	1000	1000.00	1000	1000.00	1000	1000.00	1000	1000.00

BOOKS

WAR MUSIC: An Account of Books 16 to 19 of Homer's "Iliad"

By Christopher Logue. 85 pages. \$12.95. Farrar, Straus & Giroux, 19 Union Square West, New York, N.Y. 10003.

Reviewed by John Gross

HOMER has appeared in English speaking lands in many different guises — Elizabethan, Augustan, Victorian, Edwardian, T.E. Lawrence, to cite only a few. According to George Steiner in "After Babel," there have been more than 200 complete or selected English versions of the Iliad and the Odyssey in the last 400 years.

Whether "War Music" should be added to the tally is a debatable point. The author, Christopher Logue, an English poet, calls it "an account of the original rather than a translation, and it is meant to be read as a poem in its own right — but a poem based on Homer, and one that strives to convey something of the essential Homeric spirit."

It consists of three sections: a rendering of Book 16 of the Iliad, in which Patroclus persuades Achilles to lead his army and dies fighting the Trojans; a conflation of Books 17 and 18, in which the Greeks manage to recover Patroclus's body and Achilles resolves to avenge him; and a rendering of Book 19, in which Achilles and Agamemnon, the Greek commander in chief, settle their differences, and Achilles rides off into battle.

Sometimes Logue follows Homer quite closely; sometimes he paraphrases or compresses. But he also invents, embroiders, chops and changes, and dispenses with whole sections when it suits him. The most conspicuous casualty is the description of the richly decorated shield that Hephaestus makes for Achilles, which takes up something like a quarter of Book 18 in the Iliad itself.

The medium that Logue has chosen for telling his story is primarily a flexible form of blank verse, but he allows himself many variations: short lines, isolated images, repetitions,

sudden shifts of emphasis, staccato dialogue. The general effect (though there are some filling passages, too) is jagged and abrupt, which is only as it should be — for the most obvious feature of the action in "War Music" is its extreme violence.

True, Homer can be very violent, too, but Logue outdoes him in brutality and fearsome detail. Faces are smashed and mangled, bodies mutilated and disfigured, and grotesque comparisons point up the ferocity. In the Iliad, for example, when the luckless Lycaon has his neck severed in battle, we are simply told, according to Robert Fitzgerald's 1974 translation, that "his head toppled, held only by skin." In "War Music" his head hangs down by its skin of flesh "like a melon."

Every so often the immediacy of these savage events is reinforced by the use of 20th-century imagery or a contemporary colloquialism — we hear about "bronze flak" about a plane touching down, about pistol-whipping. At the end, when Achilles mounts his chariot.

The whip
Fires in between the horses' ears;
And as in dreams, or at Cape Kennedy, they rise,
Slowly it seems.

And why not? They are sacred horses, supernatural horses — and the notion of an Apollo mission could be said to be hovering in the background. It was Apollo who enabled the Trojan hero Hector to kill Patroclus, and it is Apollo who will eventually abandon Hector and enable Achilles to kill him in turn.

Logue is sparing in his use of such anachronistic effects, however, and "War Music" is far from being a modern-dress version of the Iliad. The most modern thing about it is the cinematic fluidity of the narrative; but its key images remain broadly Homeric: the very last image we see, as Achilles' chariot races away, is a spear that has been left stuck in the sand. Often, indeed, it seems more archaic and more barbaric than Homer, or at any rate than most previous English versions of Homer.

Although Logue doesn't read Greek, he has benefited from the guidance of a number of noted scholars, and it is to scholars that the question of how Homeric the poem actually is must be left. What an ordinary reader can do, however — and it is an interesting exercise — is compare Logue with other translators in the light of a remark of Johnson that he quotes in his introduction: "We must try its effect as an English poem: that is the way to judge of the merit of a translation."

"War Music" has its weaknesses and its puzzles. I can't see why Apollo is referred to as "Mousegod," for example (I hope it isn't a pointless pun on Stravinsky's "Apollon Musagète"). But in general Logue's miniature epic is a remarkable achievement, and one that justifies its title. The war it portrays is real, and harsh, and horrible; but the music is real, too.

John Gross is on the staff of The New York Times.

BRIDGE

By Alan Truscott

A GOOD MEASURE

of the ability of New York experts, perhaps indeed the best, is the Van Zedwitz Double Knockout Team Championship.

The players with the best record in the event in recent years is Michael Radin of Manhattan, who has reached the final in all of his last four tries. His team became the first to do so in the current season, as the only undefeated squad from the original entry of 36.

Radin and four teammates, in play at the Beverly Club Tuesday night, won comfortably by 52 international match points, relegating their opponents, a foursome headed by Dorothy Truscott of the Riverside section of the Bronx, to the once-defeated bracket.

Radin sat East on the diagrammed deal and with West defeated a contract that appears impregnable. South landed in four spades after a Precision Club auction and received the lead of the nine of diamonds.

This was covered with the jacks, king and ace, and South played hearts, ruffing the third round.

The declarer led a trump from the dummy and captured the queen with the ace to reach this position:

NORTH		SOUTH	
♠ A K 7 6 5 4 3 2	♥ A K 7 6 5 4 3 2	♠ A K 7 6 5 4 3 2	♥ A K 7 6 5 4 3 2
♦ A K 7 6 5 4 3 2	♣ A K 7 6 5 4 3 2	♦ A K 7 6 5 4 3 2	♣ A K 7 6 5 4 3 2

If South had now taken the club finesse and succeeded with that suit, he would have emerged with an overtrick. But he routinely led another trump in the mistaken belief that the club finesse could wait.

The defenders showed him the error of his ways when West took the spade king and exited with his remaining diamond. The queen won, and a diamond continuation was taken by West who played a fourth round from his partner. When South ruffed low, West overruled and did not make the error of playing his last heart. Instead he led the club jack and the winning finesse came too late for the declarer. The spade eight scored the setting trick. Radin gained 10 points on the deal when his teammates bid and made three no-trump.

The bidding:
West: 1♠, 2♠, 3♠, 4♠, 5♠, 6♠, 7♠, 8♠, 9♠, 10♠, 11♠, 12♠, 13♠, 14♠, 15♠, 16♠, 17♠, 18♠, 19♠, 20♠, 21♠, 22♠, 23♠, 24♠, 25♠, 26♠, 27♠, 28♠, 29♠, 30♠, 31♠, 32♠, 33♠, 34♠, 35♠, 36♠, 37♠, 38♠, 39♠, 40♠, 41♠, 42♠, 43♠, 44♠, 45♠, 46♠, 47♠, 48♠, 49♠, 50♠, 51♠, 52♠.

West and East were vulnerable.
The bidding:
West: 1♠, 2♠, 3♠, 4♠, 5♠, 6♠, 7♠, 8♠, 9♠, 10♠, 11♠, 12♠, 13♠, 14♠, 15♠, 16♠, 17♠, 18♠, 19♠, 20♠, 21♠, 22♠, 23♠, 24♠, 25♠, 26♠, 27♠, 28♠, 29♠, 30♠, 31♠, 32♠, 33♠, 34♠, 35♠, 36♠, 37♠, 38♠, 39♠, 40♠, 41♠, 42♠, 43♠, 44♠, 45♠, 46♠, 47♠, 48♠, 49♠, 50♠, 51♠, 52♠.

West led the diamond nine.

High Low Close Chg.

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ART BUCHWALD

Soliciting Contra Funds

WASHINGTON — In the Iran-contra congressional hearings it has been decided to refer to countries that were asked to make donations to the freedom fighters by numbers. Thus, to protect their identities, we have Country No. 1, Country No. 2, Country No. 3 and so on.

This is what is going to happen when they get to Country No. 10.

"Mr. McNugget, did you get the impression that the king of Country No. 10 was expecting quid pro quo in exchange for the \$50 million?"

"He never mentioned quid pro quo, but he did say something about wanting to own Florida."

"He asked for Florida in exchange for the \$50 million?"

"As I understand it, sir, Ollie North suggested he ask for it. I don't believe the king expected to get it. I told him Florida was out of the question, but I could see the White House letting him have one of the smaller states."

"Mr. McNugget, did you promise the king of Country No. 10 to do a few AWCs in exchange for the contra donation?"

"Yes, sir, I felt the king deserved something tangible for his donation. After all, he was sticking his neck out for us."

"What did the president think of all this?"

"He didn't know we had solicited Country No. 10 for money."

"Then why did the president publicly thank the king for his contribution in the Oval Office?"

"I wasn't at that meeting. But if he did I will take full responsibility for it as I have for everything the president has done for the last six years."

"Besides Florida, was there anything else the king demanded?"

"Not that I recall. His majesty said the \$50 million was a gift and he was pleased it was going for a worthy cause. He told me his country considers Nicaragua the biggest danger there is in the Middle East."

"By the way, Mr. McNugget, whatever happened to the \$50 million?"

"The king put it in a numbered bank account in Switzerland."

"And then what?"

"I was lost because Ollie North gave his majesty the wrong number."

"What was Lieutenant Colonel North's reaction when he found out?"

"He felt very bad about it."

"He was very disappointed and said he didn't understand how a friend like the United States could reject a gift from one of its most loyal allies."

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Prizes and Compromises at Cannes

By Vincent Canby
New York Times Service

CANNES, France — At the awards ceremony marking the end of the 40th Cannes Film Festival, the audience at the Festival Palace loudly jeered the announcement that Maurice Pialat's "Sous le Soleil de Satan" (Under Satan's Sun) had won the Golden Palm, the festival's top prize.

Not in some time has the Cannes festival's premier award caused such vocal outrage. The French film, adapted from a novel by Georges Bernanos, is a serious, thoroughly unexceptional tale about a simple country priest, played by Gérard Philipe, who wrestles with his doubts and, on one occasion, the devil himself.

When his acceptance remarks were interrupted by boos on Tuesday night, Pialat shook his fist at the audience and walked offstage.

Not all of the prizes were so unpopular. The audience gave the evening's biggest haul to Marcello Mastroianni, who won as best actor for "Oci Ciornie" (Dark Eyes), the Chekhovian Italian film by the Soviet director, Nikita Mikhalkov. Equally popular was the award to Barbara Hershey for her performance as a hard-bitten Louisiana bayou woman in "Sky People," directed by Andrei Konchalovsky, Mikhalkov's brother, who is based in Los Angeles.

Named best director was Wim Wenders, who made the German "Der Himmel über Berlin" ("Wings of Desire"), an uncharacteristically sentimental work for Wenders, about a guardian angel who falls in love and elicits to stay on earth.

That compromise was to be the theme of this year's awards was hinted at several days earlier when Yves Montand, president of the festival jury, said privately that the entire prize-giving business was "a cruel and arbitrary process."

Montand said at the jury deliberations: "You talk and vote, talk and vote, and at the end, the winner is something you didn't know that anybody liked."

The Special Jury Prize (in effect, the festival's second prize) was given to "Polakanyntie" (Remembrance), a Soviet entry directed by Tengiz Abuladze. The film is



The Associated Press

Maurice Pialat, winner of the Golden Palm, with Sandrine Bonnaire and Gérard Philipe, stars in "Sous le Soleil de Satan" at right, Jon Voight (rear) presents Tengiz Abuladze, who won the Special Jury Prize.

an unexpectedly savage satire about a dictatorial mayor of a small city in Soviet Georgia.

Stephen Frears, the director of "Prick Up Your Ears," received the festival's second prize for directing, though he was officially cited for his "artistic contributions."

The Golden Camera award, given to the best first feature, went to another Soviet film, Nana Dzhigurda's "18 chelovek ili moy angliyskiy grandfather" (My English Grandfather).

Second in popularity only to Mastroianni's prize was the festival's 40th-anniversary award to Federico Fellini, whose film "Intervista" (Interviews) was shown out of competition.

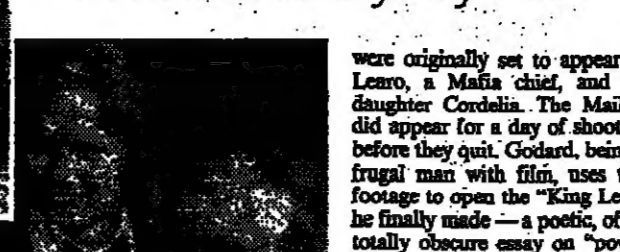
Of the films shown in competition during the last week of the festival, the most talked about were Ettore Scola's "La Famiglia" (The Family), a chronicle that covers nearly 90 years in the life of one Italian family, and Barbet Schroeder's "Barfly," with Mickey Rourke and Faye Dunaway.

"Barfly," based on Charles Bukowski, an American poet who is far better known in Europe than at home, is a dark, sometimes disturbingly comic anecdote. It covers several days in the lives of two rapacious, self-aware alcoholics (Rourke and Dunaway) in the sleazy bars along Los Angeles' skid row. Both stars do their best work in years.

A good deal less popular was "Asia," which was shown Tuesday night, the festival's final attraction. The film, based at its press screening, is an extended, long-hair music video in which 10 directors, including Ken Russell, Bruce Beresford, Nicolas Roeg and Jean-Luc Godard, have chosen a favored operatic aria and "reinterpreted" it, almost always for the worse.

Overshadowing the competitive entries during the last week were the out-of-competition films. Woody Allen's "Radio Days" was widely welcome in a festival not long on laughs or cer-

Yves Montand said that the prize-giving business was "a cruel and arbitrary process. You talk and vote, talk and vote, and at the end, the winner is something you didn't know that anybody liked."



The Associated Press

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PEOPLE

Lynn Redgrave Appeals Breast-Feeding Suit

Lynn Redgrave will appeal a \$10 million lawsuit brought against Universal Television, which she says fired her for breast-feeding her daughter, Annabel, on the set, her attorney said after a judge refused to hold a new trial. Superior Court Judge Jack Ryburn ruled that the case, filed in 1983, had been settled in June 1986.

Uri Geller, the psychic who bends spoons, says giving up meat dramatically boosted his culinary-warrior abilities. Geller, a committed vegetarian, told Woman's World magazine in London it took him five minutes to bend a spoon 10 years ago. But after he stopped eating meat, spoon-bending became just one minute's work, he was quoted as saying.

He's still faster than a speeding bullet. And yet, earthlings, Superman is about to turn 50. The actual birthday is not until June 1988, the 50th anniversary of the month that Action Comics hit the newsstands with Superman on the cover. Nonetheless, DC Comics is holding a press conference Tuesday to announce a year's worth of Super Semiconcentennial Events. There is to be an exhibit at the Smithsonian Institution in Washington, a birthday party in New York, a new Superman movie, a Superman television special, and the unveiling of a Superman statue in Superman's real hometown of Cleveland, Ohio. It is in Cleveland that teen-agers Jerry Siegel and Joe Shuster came up with the idea of a comic-strip hero with superhuman strength who would fight for truth and justice.

Bette Midler led the American Comedy Awards winners Tuesday night with funniest-of-the-year trophies for her performance in the movie "Ruthless People" and on her album "Mud Will Be Flung Tonight." Midler also won the trophy as the year's funniest female performer, with Woody Allen picked as the year's funniest male comic. . . . Narada Michael Walcott, the most-performed pop music song of 1986, won top awards Tuesday from the American Society of Composers, Authors and Publishers. Walcott received the writer of the year award.

A WORLD OF JOB OPPORTUNITIES

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